



**Auditor of State
Betty Montgomery**

**SALT CREEK TOWNSHIP
HOCKING COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Salt Creek Township
Hocking County
19358 Wagner Road
Laurelville, Ohio 43135

To the Board of Trustees:

We have audited the accompanying financial statements of Salt Creek Township, Hocking County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Salt Creek Township, Hocking County, as of December 31, 2002 and 2001 and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Salt Creek Township
Hocking County
Independent Accountants' Report
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This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 21, 2003

**SALT CREEK TOWNSHIP
HOCKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$36,303	\$62,801	\$	\$99,104
Intergovernmental	9,211	192,066		201,277
Earnings on Investments	523	165	4	692
Other Revenue	261	936		1,197
Total Cash Receipts	<u>46,298</u>	<u>255,968</u>	<u>4</u>	<u>302,270</u>
Cash Disbursements:				
Current:				
General Government	38,201	3,300		41,501
Public Safety		17,564		17,564
Public Works	8,527	205,127		213,654
Health	1,000	640		1,640
Debt Service:				
Redemption of Principal	1,600	16,319		17,919
Interest and Fiscal Charges	96	3,909		4,005
Total Cash Disbursements	<u>49,424</u>	<u>246,859</u>	<u>0</u>	<u>296,283</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(3,126)</u>	<u>9,109</u>	<u>4</u>	<u>5,987</u>
Fund Cash Balances, January 1	<u>4,607</u>	<u>11,640</u>	<u>270</u>	<u>16,517</u>
Fund Cash Balances, December 31	<u><u>\$1,481</u></u>	<u><u>\$20,749</u></u>	<u><u>\$274</u></u>	<u><u>\$22,504</u></u>

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

**SALT CREEK TOWNSHIP
HOCKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$35,548	\$36,045	\$	\$71,593
Intergovernmental	12,457	143,434		155,891
Earnings on Investments	735	384	7	1,126
Other Revenue	7,310	409		7,719
	<u>56,050</u>	<u>180,272</u>	<u>7</u>	<u>236,329</u>
Cash Disbursements:				
Current:				
General Government	43,027	3,255		46,282
Public Safety		14,500		14,500
Public Works	1,784	161,688		163,472
Health	1,805	461		2,266
Debt Service:				
Redemption of Principal	1,600	12,896		14,496
Interest and Fiscal Charges		2,025		2,025
Capital Outlay	9,700	26,684		36,384
	<u>57,916</u>	<u>221,509</u>	<u>0</u>	<u>279,425</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(1,866)</u>	<u>(41,237)</u>	<u>7</u>	<u>(43,096)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		26,684		26,684
	<u>0</u>	<u>26,684</u>	<u>0</u>	<u>26,684</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,866)	(14,553)	7	(16,412)
Fund Cash Balances, January 1	<u>6,473</u>	<u>26,193</u>	<u>263</u>	<u>32,929</u>
Fund Cash Balances, December 31	<u><u>\$4,607</u></u>	<u><u>\$11,640</u></u>	<u><u>\$270</u></u>	<u><u>\$16,517</u></u>

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

**SALT CREEK TOWNSHIP
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Salt Creek Township, Hocking County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Village of Laurelville to provide fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest earned is recognized and recorded when received.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

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

**SALT CREEK TOWNSHIP
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

FEMA Fund- This fund receives Federal Emergency Management Agency (FEMA) money to reimburse the Township for funds disbursed to repair roads and bridges following a flood.

3. Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant Fiduciary Fund:

The Cemetery Bequest Fund is used to accumulate interest for cemetery maintenance and repairs.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**SALT CREEK TOWNSHIP
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$22,504	\$16,517

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation,

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,640	\$46,298	\$2,658
Special Revenue	239,645	255,968	16,323
Fiduciary	13	4	(9)
Total	\$283,298	\$302,270	\$18,972

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,727	\$49,424	(\$5,697)
Special Revenue	141,885	246,859	(104,974)
Total	\$185,612	\$296,283	(\$110,671)

**SALT CREEK TOWNSHIP
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,515	\$56,050	\$3,535
Special Revenue	168,140	206,956	38,816
Fiduciary	5	7	2
Total	\$220,660	\$263,013	\$42,353

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$58,900	\$57,916	\$984
Special Revenue	174,216	221,509	(47,293)
Total	\$233,116	\$279,425	(\$46,309)

Contrary to Ohio law, expenditures exceeded appropriation authority for the year ended December 31, 2002 in the General Fund by \$5,697; the Motor Vehicle License Tax Fund by \$1,933, the Road and Bridge Fund by \$7,115, and the FEMA Fund by \$98,981. Also expenditures exceeded appropriation authority for the year ended December 31, 2001 in the Motor Vehicle License Tax Fund by \$24,744 and in the Road and Bridge Fund by \$29,061.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

**SALT CREEK TOWNSHIP
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Tractor Loan	\$8,917	5.75%
Loader Loan	2,066	6.20%
Dump Truck Loan	21,346	6.00%
Total	<u>\$32,329</u>	

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

	<u>Tractor Loan</u>	<u>Loader Loan</u>	<u>Dump Truck Loan</u>
Year ending December 31:			
2003	\$11,480	\$2,194	\$6,618
2004			6,297
2005			5,977
2006			5,657
Total	<u>\$11,480</u>	<u>\$2,194</u>	<u>\$24,549</u>

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**SALT CREEK TOWNSHIP
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

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

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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.

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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	<u>(9,197,512)</u>	<u>(9,379,003)</u>
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

**SALT CREEK TOWNSHIP
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT (Continued)

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	<u>(1,204,326)</u>	<u>(647,667)</u>
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

8. SUBSEQUENT EVENTS

Federal Emergency Management Agency (FEMA) funds have been requested by the Township to help offset costs of repairs resulting from damages caused by an ice storm in February 2003 and a flood event in May 2003. As of July 21, 2003, the Township had not received the grant funds.

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Salt Creek Township
Hocking County
19358 Wagner Road
Laurelville, Ohio 43135

To the Board of Trustees:

We have audited the accompanying financial statements of Salt Creek Township, Hocking County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-005. We also noted a certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 21, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-001 and 2002-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above as item 2002-001 is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated July 21, 2003.

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



Betty Montgomery
Auditor of State

July 21, 2003

**SALT CREEK TOWNSHIP
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 149.351(A) states that all records which are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Ohio Revised Code.

Voucher packets were not available for 18% of the debt payments tested for 2001 and 2002. Canceled checks were not available for review for 10% of the vouchers tested for 2001. The invoices were not available for review for 20% of the vouchers tested for 2001 and 24% of the vouchers test for 2002. Inadequate documentation of disbursements eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors and irregularities occurring and not being detected by management in a timely manner.

We recommend the Township Clerk retain all voucher packets, invoices, canceled checks, and other such supporting documentation received for all disbursements made.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Rev. Code Section 5705.40 allows the amendment or supplementation of any appropriation measure as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Transfers may be made by resolution or ordinance from one appropriation item to another.

Rulings filed in the case of *C. B. Transportation, Inc. v. Butler County Board of Mental Retardation*, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979), as well as, *Burkholder v. Lauber*, 6 Ohio Misc. 152 (1965), held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a local government's governing board would be prohibited from delegating duties statutorily assigned to it, such as the ability to amend appropriations as provided for in Ohio Rev. Code Section 5705.40.

The Township Clerk posted amendments to the original appropriation measure to the accounting system, in the General Fund, Motor Vehicle License Fund, Gasoline Tax Fund, Road and Bridge Fund, Road Levy Fund, and FEMA Fund in 2002 and 2001. These amendments were made without the approval of the Board of Trustees. This overrides the Board of Trustees' responsibility and authority over budgetary management and can result in deficit spending. The budgetary amounts presented in Note 3 reflect only actions approved by the Trustees.

We recommend the Board of Trustees review appropriations posted to the accounting system to ensure they agree to those amounts approved and adopted by the board.

**SALT CREEK TOWNSHIP
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

For the year ending December 31, 2002, actual expenditures exceeded approved appropriations in the following funds:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,727	\$49,424	(\$5,697)
Motor Vehicle License Tax	17,629	19,562	(1,933)
Road and Bridge	25,109	32,224	(7,115)
FEMA	0	98,981	(98,981)

For the year ending December 31, 2001, actual expenditures exceeded approved appropriations in the following funds:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
Motor Vehicle License Tax	\$18,418	\$43,162	(\$24,744)
Road and Bridge	77,560	106,621	(29,061)

This could allow deficit spending to occur.

We recommend the Township review budgetary information on a regular basis to ensure disbursements do not exceed appropriations at the legal level of control and seek amendments as needed from the Board of Trustees. In addition, we recommend the Township Clerk not certify funds that are not available.

**SALT CREEK TOWNSHIP
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrance. Further, contracts and other orders for expenditure lacking prior certification should be null and void. This Section also requires that encumbrances be charged against proper appropriations.

Further, contracts and other orders for expenditure lacking prior certification should be null and void. This Section also requires that encumbrances be charged against proper appropriations.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

If the amount involved is less than \$1,000 dollars (which was increased to \$3,000 on April 7, 2003), the Township Clerk may authorize payment through a Then and Now Certificate without affirmation of the Township Trustees, if such expenditure is otherwise valid.

Funds were not encumbered prior to purchase commitment being made and no "then and now" certificate was obtained for 17% of the transactions tested in 2001 and 24% of the transactions tested in 2002. This could allow deficit spending to occur.

We recommend the Township not expend funds without obtaining the fiscal officer's certificate prior to an obligation being incurred.

**SALT CREEK TOWNSHIP
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-005

Finding For Recovery

Timesheets should be reviewed and compared to actual payroll disbursements by the Trustees and the Clerk for proper payment of hours per the timesheets. While the Board approved all vouchers for payment, the timesheets did not always support the actual wages paid. This resulted in an overpayment to Steven Scurlock of \$410.88 because the hours worked, per the time sheets, did not coincide with the hours that he was compensated.

The following represents payments made to Mr. Scurlock, the correct amount to be paid and the over/under payment:

<u>Check Date</u>	<u>Regular Hours</u>	<u>Overtime Hours</u>	<u>Board Authorized Hourly Rate of Pay</u>	<u>Recalculated Gross Wages</u>	<u>Gross Wages Paid</u>	<u>Over/(Under) Payment</u>
January 12, 2001	78.5	0	\$13.50	\$1,059.75	\$1,056.38	(\$3.37)
February 19, 2001	91	0	13.50	1,228.50	1,302.75	74.25
November 4, 2001	120	1	13.50	1,640.25	1,748.25	108.00
January 11, 2002	72	0	14.50	1,044.00	1,160.00	116.00
February 3, 2002	112	8	14.50	1,798.00	1,914.00	116.00
Total Overpayment						<u>\$410.88</u>

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Steven Scurlock, Joy VanCuren, Township Clerk, and Ohio Farmers Insurance Company, Joy VanCuren's bonding company, jointly and severally, in the amount of \$410.88 and in favor of the of the Township's Gasoline Tax Fund.

FINDING NUMBER 2002-06

Reportable Condition

The proceeds of a debt issuance should be recorded in the financial statements as Proceeds of Notes. The purchase of equipment with the proceeds of the debt issuance should be recorded as Capital Outlay. The proceeds of the debt issued for the purchase of the 2001 dump truck were not recorded in the financial statements. Only the down payment made on the dump truck was recorded in the financial statements as Capital Outlay. This resulted in financial statements being understated. The audited financial statements have been adjusted to reflect this activity. These adjustments caused the budgetary variances to be greater since the Township did not budget for this activity.

We recommend the Township Clerk record all transactions in the records of the Township. Furthermore, we recommend the Township budget for changed in estimated receipts and expenditures by obtaining an amended certificate of estimated resources and by amending appropriations when issuing debt.

**SALT CREEK TOWNSHIP
HOCKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40737-001	A material noncompliance citation was issued under Ohio Revised Code Section 5705.36 for failure to request amended certificate of estimated resources.	Yes	
2000-40737-002	A material noncompliance citation was issued under Ohio Revised Code Section 5705.40 for failure to properly amend appropriations.	No	Not corrected. Reissued in current audit Schedule of Findings as item 2002-002.
2000-40737-003	A material noncompliance citation was issued under Ohio Revised Code Section 5705.41(B) for expenditures exceeding appropriations.	No	Not corrected. Reissued in current audit Schedule of Findings as item 2002-003.
2000-40737-004	A reportable condition was issued for grant and debt transactions not being recorded on the financial statement.	No	Partially corrected. Reissued in current audit Schedule of Findings as item 2002-006.



**Auditor of State
Betty Montgomery**

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800-282-0370
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SALT CREEK TOWNSHIP

HOCKING 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
SEPTEMBER 16, 2003**