



**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005



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, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2005.....	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

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Mary Taylor, CPA
Auditor of State

Salt Creek Township
Pickaway County
27924 Kime Holderman Rd.
Circleville, OH 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, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Salt Creek Township
Pickaway County
27924 Kime Holderman Rd.
Circleville, OH 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, 2006 and 2005. 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 the 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, 2006 and 2005 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, 2006 and December 31, 2005, 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, 2006 and December 31, 2005, 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, 2007, 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, 2007

**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, 2006**

	<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	\$ 60,542	\$ 253,752	\$ -	\$ -	\$ 314,295
Licenses, Permits, and Fees	-	5,650	-	-	5,650
Intergovernmental	90,591	270,622	-	-	361,213
Earnings on Investments	1,890	589	-	228	2,706
Miscellaneous	294	12,715	-	-	13,009
Total Cash Receipts	<u>153,316</u>	<u>543,328</u>	<u>-</u>	<u>228</u>	<u>697,100</u>
Cash Disbursements:					
Current:					
General Government	90,306	3,083	-	-	93,389
Public Safety	-	104,598	-	-	104,598
Public Works	8,135	233,638	-	-	241,773
Health	5,000	7,861	-	-	12,861
Human Services	-	107,721	-	-	107,721
Capital Outlay	2,500	4,700	-	-	7,200
Debt Service:					
Redemption of Principal	-	41,308	-	-	41,308
Interest and Other Fiscal Charges	-	11,439	-	-	11,439
Total Cash Disbursements	<u>105,940</u>	<u>514,348</u>	<u>-</u>	<u>-</u>	<u>620,288</u>
Total Receipts Over Disbursements	47,376	28,980	-	228	76,584
Fund Cash Balances, January 1	<u>45,258</u>	<u>180,602</u>	<u>979</u>	<u>21,134</u>	<u>247,973</u>
Fund Cash Balances, December 31	<u>\$ 92,634</u>	<u>\$ 209,582</u>	<u>\$ 979</u>	<u>\$ 21,362</u>	<u>\$ 324,557</u>

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, 2005**

	<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	\$ 53,920	\$ 243,318	\$ -	\$ -	\$ 297,238
Licenses, Permits, and Fees	-	6,850	-	-	6,850
Intergovernmental	28,983	156,455	-	-	185,438
Earnings on Investments	1,615	442	-	143	2,200
Miscellaneous	229	10,444	-	-	10,673
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	84,747	417,509	-	143	502,399
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Cash Disbursements:					
Current:					
General Government	61,841	2,902	-	-	64,743
Public Safety	-	68,642	-	-	68,642
Public Works	12,025	224,235	-	-	236,260
Health	7,507	5,543	-	-	13,050
Capital Outlay	5,000	90,721	-	-	95,721
Debt Service:					
Redemption of Principal	9,298	124,238	-	-	133,536
Interest and Other Fiscal Charges	2,702	14,382	-	-	17,084
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	98,373	530,663	-	-	629,036
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over / (Under) Disbursements	(13,626)	(113,154)	-	143	(126,637)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts					
Proceeds of Loans	-	55,742	-	-	55,742
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	(13,626)	(57,412)	-	143	(70,895)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	58,884	238,014	979	20,991	318,868
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Fund Cash Balances, December 31	\$ 45,258	\$ 180,602	\$ 979	\$ 21,134	\$ 247,973
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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, 2006 AND 2005**

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, and fire protection and emergency medical services through the Village of Tarlton.

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. Cash 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, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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 and EMS services the Township provides.

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

3. Capital Project Fund

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

4. Permanent Fund

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.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 CASH

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

	2006	2005
Demand deposits	\$305,136	\$228,552
Certificates of deposit	19,421	19,421
Total deposits	\$324,557	\$247,973

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and December 31, 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$187,780	\$153,316	(\$34,464)
Special Revenue	621,562	543,328	(78,234)
Permanent	0	228	228
Total	\$809,342	\$696,872	(\$112,470)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$234,664	\$105,940	\$128,724
Special Revenue	681,077	514,348	166,729
Permanent	979	0	979
Total	\$916,720	\$620,288	\$296,432

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$194,000	\$84,747	(\$109,253)
Special Revenue	580,308	473,251	(107,057)
Permanent	0	143	143
Total	\$774,308	\$558,141	(\$216,167)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$254,367	\$98,373	\$155,994
Special Revenue	768,412	530,663	237,749
Permanent	979	0	979
Total	\$1,023,758	\$629,036	\$394,722

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority at the line item level in the General Fund – Contracted Services, Motor Vehicle Tax Fund – Repairs and Maintenance, Gasoline Tax Fund – Operating Supplies, Road and Bridge Fund – Contracted Services, Fire District Fund - Other, and FEMA Fund – Contracted Services and Operating Supplies by \$5,929, \$617, \$5,232, \$8,000, \$4,079, \$102,046, and \$5,674 for the year ended December 31, 2006, respectively, and in the General Fund – Payment to Another Political Subdivision and Machinery, Equipment and Furniture, Gasoline Tax Fund – Operating Supplies and Machinery, Equipment and Furniture, Road and Bridge Fund – Machinery, Equipment, and Furniture, Fire District Fund – Other Insurance, Other Supplies, and Other, and Road District Fund– Operating Supplies and Machinery, Equipment, and Furniture by \$2,507, \$13,000, \$2,737, \$7,500 \$71,166, \$519, \$8,469, \$8,135, \$2,936, and \$7,000 for the year ended December 31, 2005, respectively.

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.

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
John Deere Tractor Loan	\$25,826	4.25%
Dump Truck Loan	43,413	4.75%
Total	\$69,239	

A John Deere Tractor mower was purchased in 2004 for \$49,203. The loan was set up to be paid over 60 months in installments of \$ 911.77 at a 4.25% interest rate. In September, 2005 the Township purchased a Dump Truck for \$ 55,742. The loan was set up to be paid over 66 months in installments of \$961.37 per month at a 4.75% interest rate. Amortization of the above debt, including interest, is scheduled as follows:

	John Deere Tractor	Dump Truck
Year ending December 31:		
2007	\$10,428	\$10,091
2008	10,880	10,600
2009	5,616	11,115
2010	0	11,654
2011	0	2,015
Total	\$26,924	\$45,475

During 2005, the Township paid off a 2003 Dump Truck Loan with \$28,862 in principal and \$8,386 of interest payments. Additionally, the Township paid off a 2002 Fire Truck Loan with \$92,372 of principal payments and \$6,212 of interest in 2005 along with \$22,372 of principal payments and \$7,897 of interest in 2006.

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 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

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.

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT (Continued)

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, including loss adjustment expenses. 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 OTARMA'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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

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.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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.

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT (Continued)

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, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, 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 \$ 31,560. 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.

<u>Contributions to OTARMA</u>	
2004	\$ 16,618
2005	\$ 16,490
2006	\$ 15,780

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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.

8. SUBSEQUENT EVENT

On August 2, 2007, the Township entered into a loan for \$289,715.80 for the purchase of two ambulances.



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 Road
Circleville, Ohio 43113

To the Township Board of Trustees:

We have audited the financial statements of Salt Creek Township, Pickaway County, Ohio (the Township) as of and for the years ended December 31, 2006 and December 31, 2005, and have issued our report thereon dated October 15, 2007 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 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 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 opinions 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: 2006-001 through 2006-004.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-003 and 2006-004 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, 2007.

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 2006-001 through 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 15, 2007.

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



Mary Taylor, CPA
Auditor of State

October 15, 2007

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2006-001
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Permanent Fund (previously reported as a non-expendable trust fund prior to AOS Bulletin 2005-005) Interest Allocation – Noncompliance Finding / Significant Deficiency

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 2006 and 2005, the Township did not allocate interest to the permanent fund (i.e., non-expendable trust fund), resulting in the balance being understated by \$228 and \$143 respectively, which were adjusted under audit.

We recommend the Township allocate a representative amount of interest to the Permanent Fund on a monthly basis as part of the interest allocation and posting process.

Finding Number	2006-002
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Available Resources – Noncompliance Finding / Significant Deficiency

Ohio Rev. Code Section 5705.131 states 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 to be maintained intact. The principal of the fund, and any additions to principal arising from sources other than the reinvestment of investment earnings arising from the fund, shall not be considered part of the unencumbered balance or revenue of the subdivision under division (A) of section 5705.35 or division (A)(1) of section 5705.36 of the Revised Code. Only investment earnings arising from investment of the principal or investment of such additions to principal may be considered an unencumbered balance or revenue of the subdivision under that division.

The Township failed to exclude the principal of the Permanent Fund (previously reported as a non-expendable trust fund prior to AOS Bulletin 2005-005) from the amount certified as available to the County Auditor. Failure to exclude the principal from the amount certified as available results in a certification of an unavailable balance as being available for spending and may lead to the principal being inappropriately appropriated and expended.

We recommend the Township exclude the principal of the Cemetery Bequest Fund, a Permanent Fund, from the unencumbered fund balance certified to the County Auditor as the amount available for spending.

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2006-003
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Expenditures Exceeding Appropriations – Noncompliance Finding / Material Weakness

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

Expenditures exceeded appropriations at December 31, 2006 and December 31, 2005 in the following funds at the legal level of control:

Account Code	Description	Appropriations	Expenditures	Variance
2006				
1000-110-360	General Fund – Contracted Services	\$10,000	\$15,929	(\$5,929)
2011-330-323	Motor Vehicle Tax – Repairs and Maintenance	2,000	2,617	(617)
2021-330-420	Gasoline Tax - Operating Supplies	22,500	27,732	(5,232)
2031-330-360	Road and Bridge – Contracted Services	3,000	11,000	(8,000)
2111-220-599	Fire District – Other	15,927	19,326	(4,079)
2903-590-360	FEMA – Contracted Services	0	102,046	(102,046)
2903-590-420	FEMA – Operating Supplies	0	5,674	(5,674)

2005				
1000-420-370	General – Pay. To Another Subdivision	\$5,000	\$7,507	(\$2,507)
1000-760-740	General – Machinery Equip. and Furn.	4,000	17,000	(13,000)
2021-330-420	Gasoline Tax – Operating Supplies	12,500	15,237	(2,737)
2021-760-740	Gasoline Tax – Mach. Equip. and Furn.	1,000	8,500	(7,500)
2031-760-720	Road and Bridge – Mach. Equip. and Furn.	0	71,166	(71,166)
2111-220-389	Fire District – Other Insurance	10,000	10,519	(519)
2111-220-490	Fire District – Other Supplies	10,000	18,469	(8,469)
2111-220-599	Fire District – Other	6,907	15,042	(8,135)
2141-330-420	Road District – Operating Supplies	35,000	37,936	(2,936)
2141-330-740	Road District – Mach. Equip. and Furn.	0	7,000	(7,000)

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2006-003 (Continued)
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Expenditures Exceeding Appropriations – Noncompliance Finding / Material Weakness (Continued)

Expending money in excess of appropriations and encumbered balances may result in over spending and negative fund balances.

We recommend the Township Board of Trustees approve all appropriation modifications at the legal level of control when deemed necessary and document this through the resolutions or ordinances, and for the Township to post modifications only after Board approval.

Finding Number	2006-004
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Financial Reporting – Significant Deficiency / Material Weakness

Sound financial reporting is the responsibility of the Township Fiscal Officer and the Township's 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/reclassifications were made to the financial statements and client records:

1. Adjustment to reconcile beginning cash balance in FY 2005 to the audited ending cash balance 2004, due to the Township not posting adjustments from 2001 to 2004 from the General Fund to the Permanent Fund.
2. Adjustments to post interest to Permanent Fund for FY 2005 and FY 2006 for \$143 and \$228, respectively, from the General Fund.
3. Adjustment to post a loan paid directly to a vendor for a dump truck in the Road and Bridge Fund for the associated loan proceeds and capital outlay expenditures for \$55,742.
4. Adjustments to reclassify debt expenditures as principal and interest payments for FY05 and FY06 for \$150,620 and \$52,747, respectively in the General and Special Revenue Funds.

The following reclassifications were inconsequential to the overall financial statements of the Township and were not posted to the December 31, 2005 financial statements.

1. Fire District Fund reclassification for CDBG monies of \$4,520 from miscellaneous revenue to intergovernmental revenue.
2. Road District Fund reclassification for refunds of checks of \$495 from intergovernmental revenue to miscellaneous revenue.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities occurring and going undetected and decreases the reliability of the financial data throughout the year.

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2006-004 (Continued)
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Financial Reporting – Significant Deficiency / Material Weakness (Continued)

We recommend the Board of Trustees adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increasing the reliability of the financial data throughout the year.

Officials' Response:

We did not receive a response from Officials to the findings reported above.



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
DECEMBER 18, 2007**