



Mary Taylor, CPA
Auditor of State

**SALEM TOWNSHIP
WARREN COUNTY**

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Mary Taylor, CPA
Auditor of State

Salem Township
Warren County
7373 Ludlum Road
Morrow, Ohio 45152

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

December 19, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Salem Township
Warren County
7373 Ludlum Road
Morrow, Ohio 45152

To the Board of Trustees:

We have audited the accompanying financial statements of Salem, Warren 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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 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 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 and reserves for encumbrances of Salem, Warren County, as of December 31, 2006 and 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 December 19, 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

December 19, 2007

**SALEM TOWNSHIP
WARREN 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>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$82,378	\$573,043	\$0	\$0	\$655,421
Charges for Services		136,962			136,962
Licenses, Permits, and Fees		26,028			26,028
Intergovernmental	137,151	326,553			463,704
Special Assessments		3,407			3,407
Earnings on Investments	38,652	14,625		1,690	54,967
Miscellaneous	11,916	18,755			30,671
Total Cash Receipts	<u>270,097</u>	<u>1,099,373</u>	<u>0</u>	<u>1,690</u>	<u>1,371,160</u>
Cash Disbursements:					
Current:					
General Government	139,611	16,186			155,797
Public Safety	446	488,319			488,765
Public Works	2,333	160,439			162,772
Health	22,760	33,144			55,904
Human Services		33,945			33,945
Supplies and Materials				2,144	2,144
Other		1,762			1,762
Capital Outlay	3,587	710,324			713,911
Debt Service:					
Redemption of Principal			60,000		60,000
Interest and Other Fiscal Charges			19,071		19,071
Total Cash Disbursements	<u>168,737</u>	<u>1,444,119</u>	<u>79,071</u>	<u>2,144</u>	<u>1,694,071</u>
Total Receipts Over/(Under) Disbursements	<u>101,360</u>	<u>(344,746)</u>	<u>(79,071)</u>	<u>(454)</u>	<u>(322,911)</u>
Other Financing Receipts / (Disbursements):					
Sale of Notes		400,000			400,000
Transfers-In			79,071		79,071
Transfers-Out		(79,071)			(79,071)
Other Financing Sources	329				329
Total Other Financing Receipts / (Disbursements)	<u>329</u>	<u>320,929</u>	<u>79,071</u>	<u>0</u>	<u>400,329</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<u>101,689</u>	<u>(23,817)</u>	<u>0</u>	<u>(454)</u>	<u>77,418</u>
Fund Cash Balances, January 1	<u>218,212</u>	<u>850,179</u>	<u>0</u>	<u>44,586</u>	<u>1,112,977</u>
Fund Cash Balances, December 31	<u>\$319,901</u>	<u>\$826,362</u>	<u>\$0</u>	<u>\$44,132</u>	<u>\$1,190,395</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$205</u>	<u>\$205</u>

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

**SALEM TOWNSHIP
WARREN 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>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$79,221	\$548,274	\$0	\$0	\$627,495
Charges for Services		134,162			134,162
Licenses, Permits, and Fees		23,062			23,062
Fines and Forfeitures					0
Intergovernmental	116,372	173,754			290,126
Special Assessments		3,365			3,365
Earnings on Investments	19,901	7,639		1,271	28,811
Miscellaneous	14,464	70,815			85,279
Total Cash Receipts	229,958	961,071	0	1,271	1,192,300
Cash Disbursements:					
Current:					
General Government	133,679	19,735			153,414
Public Safety	25,456	467,505			492,961
Public Works	2,211	122,866			125,077
Health	19,980	20,212			40,192
Human Services		15,956			15,956
Supplies and Materials				1,667	1,667
Other		413			413
Capital Outlay		350,074			350,074
Debt Service:					
Redemption of Principal		22,942	52,942		75,884
Interest and Other Fiscal Charges		616	3,271		3,887
Total Cash Disbursements	181,326	1,020,319	56,213	1,667	1,259,525
Total Receipts Over/(Under) Disbursements	48,632	(59,248)	(56,213)	(396)	(67,225)
Other Financing Receipts / (Disbursements):					
Sale of Notes		150,000			150,000
Transfers-In			56,213		56,213
Transfers-Out		(56,213)			(56,213)
Other Financing Sources	8,333				8,333
Total Other Financing Receipts / (Disbursements)	8,333	93,787	56,213	0	158,333
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	56,965	34,539	0	(396)	91,108
Fund Cash Balances, January 1	161,247	815,640	0	44,982	1,021,869
Fund Cash Balances, December 31	\$218,212	\$850,179	\$0	\$44,586	\$1,112,977
Reserve for Encumbrances, December 31	\$0	\$108,914	\$0	\$205	\$109,119

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

**SALEM TOWNSHIP
WARREN 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 Salem Township, Warren 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. 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. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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

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

**SALEM TOWNSHIP
WARREN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire District Fund - This fund receives property tax fire levy money to provide fire protection to Township residents.

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt.

4. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund

Cemetery Bequest Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

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

**SALEM TOWNSHIP
WARREN 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 and Investments

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

	2006	2005
Demand deposits	\$129,716	\$168,901
Certificates of deposit	143,500	144,003
Total deposits	273,216	312,904
STAR Ohio	917,179	800,073
Total deposits and investments	\$1,190,395	\$1,112,977

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

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

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$257,682	\$270,426	\$12,744
Special Revenue	1,497,968	1,499,373	1,405
Debt Service	79,071	79,071	0
Permanent	1,373	1,690	317
Total	\$1,836,094	\$1,850,560	\$14,466

**SALEM TOWNSHIP
WARREN COUNTY**

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

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$475,894	\$168,737	\$307,157
Special Revenue	2,348,144	1,523,190	824,954
Debt Service	79,071	79,071	0
Permanent	2,460	2,349	111
Total	<u>\$2,905,569</u>	<u>\$1,773,347</u>	<u>\$1,132,222</u>

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$218,000	\$238,291	\$20,291
Special Revenue	1,060,089	1,111,071	50,982
Debt Service	56,213	56,213	0
Permanent	1,025	1,271	246
Total	<u>\$1,335,327</u>	<u>\$1,406,846</u>	<u>\$71,519</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$379,029	\$181,326	\$197,703
Special Revenue	1,875,728	1,185,446	690,282
Debt Service	56,213	56,213	0
Permanent	2,507	1,872	635
Total	<u>\$2,313,477</u>	<u>\$1,424,857</u>	<u>\$888,620</u>

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.

**SALEM TOWNSHIP
WARREN COUNTY**

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

5. Debt

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Real Estate Acquisition Notes	\$120,000	4.2%
Fire Truck Acquisition Notes	400,000	5.9%
Total	<u>\$520,000</u>	

The Township issued general obligation notes in 2005 to finance the purchase of land for a new fire house. In 2006, the township issued general obligation notes to purchase a new fire truck for fire protection. The Township's taxing authority collateralized the bonds.

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

Year ending December 31:	<u>Real Estate Acquisition Notes</u>	<u>Fire Truck Acquisition Notes</u>
2007	\$35,040	\$52,715
2008	33,780	53,857
2009	32,520	52,880
2010	31,260	52,815
2011	0	53,603
2012-2017	0	263,222
Total	<u>\$132,600</u>	<u>\$529,092</u>

6. Retirement Systems

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. 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.

**SALEM TOWNSHIP
WARREN COUNTY**

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

7. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



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*

Salem Township
Warren County
7373 Ludlum Road
Morrow, Ohio 45152

To the Township Board of Trustees:

We have audited the financial statements of the Salem Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated December 19, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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: 2006-001 and 2006-002.

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, of the significant deficiencies described above, we believe finding number 2006-001 is also material weaknesses.

We noted certain matters that we reported to the Township's management in a separate letter dated December 19, 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of as item 2006-002.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated December 19, 2007.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

December 19, 2007

**SALEM TOWNSHIP
WARREN COUNTY**

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

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

FINDING NUMBER 2006-001

Material Weakness

The following reclassifications were made to the Township's annual report to reflect the proper classification of receipts:

- Public Utility Deregulation receipts incorrectly posted to taxes were reclassified as intergovernmental receipts.
- Motor Vehicle License Tax Excess receipts incorrectly posted to intergovernmental receipts were reclassified as tax receipts.
- Cemetery foundation receipts incorrectly posted as other receipts were reclassified as fees.
- Personal Property tax receipts incorrectly posted to taxes were reclassified as intergovernmental receipts.
- Fire Contract receipts incorrectly posted as other receipts were reclassified to charges for services.
- EMS billing receipts incorrectly posted as other receipts were reclassified to charges for services.
- FEMA grant receipts incorrectly posted as other receipts were reclassified to intergovernmental receipts.
- Error corrections not properly posted were reversed and reclassified as capital outlay
- Receipts from sale of cemetery lots incorrectly posted as other financing sources were reclassified as other revenue
- Debt payments incorrectly posted to capital outlay and public works were reclassified as principal and interest payments.
- Proceeds from the sale of notes incorrectly posted to miscellaneous receipts were reclassified as proceeds from the sale of notes.
- Outstanding encumbrances were not recorded.

Without properly classifying the receipts and the disbursements on the Township's Annual Financial Report, the Annual Financial Report may not be fairly presented. The Township should properly classify receipts on the annual financial report to present a fair presentation of the Township's financial activity.

**FINDING NUMBER 2006-001
(Continued)**

Official's Response:

In the matter of finding 2006-001, I have looked over the reclassifications and am aware of the problems. Some of them are caused by the software I am using. I plan to discuss the matter with the support people.

FINDING NUMBER 2006-002

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code, § 5705.41(D)(1), prohibits a subdivision or taxing entity 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 \$1,000 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 for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 line item appropriation.

**FINDING NUMBER 2006-002
(Continued)**

The Township did not properly certify the availability of funds for purchase commitments for 11% of expenditures tested and none of the exceptions above applied. The Township failed to establish by resolution a maximum amount for blank certificates. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also 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, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. 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. We also recommend that the township establish a maximum amount for blanket certificates by resolution.

We also noted this matter in our audit report for the 2004-2003 financial statements,

Official's Response:

In the matter of finding 2006-002, the township is aware of the problem with the purchase orders and will work on correcting the problem.



Mary Taylor, CPA
Auditor of State

SALEM TOWNSHIP

WARREN 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
JANUARY 17, 2008**