



Mary Taylor, CPA  
Auditor of State



**SALT LICK TOWNSHIP  
PERRY COUNTY**

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**Mary Taylor, CPA**  
Auditor of State

Salt Lick Township  
Perry County  
P.O. Box 136  
Shawnee, Ohio 43782

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 6, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Salt Lick Township  
Perry County  
P.O. Box 136  
Shawnee, Ohio 43782

To the Board of Trustees:

We have audited the accompanying financial statements of Salt Lick Township, Perry 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 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 of Salt Lick Township, Perry County, Ohio, 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 6, 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 6, 2007



**SALT LICK TOWNSHIP  
PERRY 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>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$7,321	\$20,430		\$27,751
Charges for Services		709		709
Intergovernmental	14,070	93,896		107,966
Earnings on Investments	262	401		663
Miscellaneous	45	45		90
Total Cash Receipts	<u>21,698</u>	<u>115,481</u>	<u>\$0</u>	<u>137,179</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	24,151			24,151
Public Safety		14,425		14,425
Public Works		68,770		68,770
Health		3,711		3,711
Capital Outlay		1,000		1,000
Debt Service:				
Redemption of Principal			3,761	3,761
Interest and Other Fiscal Charges			108	108
Total Cash Disbursements	<u>24,151</u>	<u>87,906</u>	<u>3,869</u>	<u>115,926</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(2,453)</u>	<u>27,575</u>	<u>(3,869)</u>	<u>21,253</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In			3,869	3,869
Transfers-Out		(3,869)		(3,869)
Total Other Financing Receipts / (Disbursements)	<u>0</u>	<u>(3,869)</u>	<u>3,869</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(2,453)	23,706	0	21,253
Fund Cash Balances, January 1	<u>5,478</u>	<u>43,654</u>	<u>181</u>	<u>49,313</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$3,025</u></b>	<b><u>\$67,360</u></b>	<b><u>\$181</u></b>	<b><u>\$70,566</u></b>

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

**SALT LICK TOWNSHIP  
PERRY 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**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$6,090	\$19,263		\$25,353
Intergovernmental	16,270	112,355		128,625
Earnings on Investments	195	212		407
Miscellaneous	313			313
Total Cash Receipts	22,868	131,830	\$0	154,698
<b>Cash Disbursements:</b>				
Current:				
General Government	23,521			23,521
Public Safety		16,033		16,033
Public Works		103,056		103,056
Health		3,494		3,494
Capital Outlay		7,761		7,761
Debt Service:				
Redemption of Principal			3,639	3,639
Interest and Other Fiscal Charges			278	278
Total Cash Disbursements	23,521	130,344	3,917	157,782
Total Cash Receipts Over/(Under) Cash Disbursements	(653)	1,486	(3,917)	(3,084)
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In			3,000	3,000
Transfers-Out		(3,000)		(3,000)
Total Other Financing Receipts / (Disbursements)	0	(3,000)	3,000	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(653)	(1,514)	(917)	(3,084)
Fund Cash Balances, January 1	6,131	45,168	1,098	52,397
<b>Fund Cash Balances, December 31</b>	<b>\$5,478</b>	<b>\$43,654</b>	<b>\$181</b>	<b>\$49,313</b>

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

**SALT LICK TOWNSHIP  
PERRY COUNTY**

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

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

Salt Lick Township, Perry County (the Township), is a body corporate and politic established for the purpose of exercising 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 road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of Shawnee to provide fire protection and the Village of New Straitsville for emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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.

Money market mutual funds (including STAROhio) 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.

**SALT LICK TOWNSHIP  
PERRY 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**

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 Fund:

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

**3. Debt Service Fund**

This fund accounts for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Note Retirement Fund – This fund receives funds transferred from the Gasoline Tax Fund to repay notes for the purchase of road equipment.

**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 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 LICK TOWNSHIP  
PERRY 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.

**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:

	2005	2006
Demand deposits	\$42,949	\$58,799
Certificates of deposit		5,085
Total deposits	42,949	63,884
STAROhio	6,364	6,682
Total investments	6,364	6,682
Total deposits and investments	\$49,313	\$70,566

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**Investments:** Investments in STAROhio 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	\$22,301	\$21,698	(\$603)
Special Revenue	75,650	115,481	39,831
Debt Service	0	3,869	3,869
Total	\$97,951	\$141,048	\$43,097

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$27,779	\$24,151	\$3,628
Special Revenue	119,301	91,775	27,526
Debt Service	4,050	3,869	181
Total	\$151,130	\$119,795	\$31,335

**SALT LICK TOWNSHIP  
PERRY 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	\$21,864	\$22,868	\$1,004
Special Revenue	74,427	131,830	57,403
Debt Service	0	3,000	3,000
Total	\$96,291	\$157,698	\$61,407

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$27,995	\$23,521	\$4,474
Special Revenue	144,448	133,344	11,104
Debt Service	1,098	3,917	(2,819)
Total	\$173,541	\$160,782	\$12,759

Contrary to Ohio law, appropriations exceeded estimated resources in the Fire Levy Fund by \$2,008, in the EMS Special Levy Fund by \$724, and in the FEMA Fund by \$22,121 for the year ended December 31, 2005. Appropriations exceeded estimated resources in the General Note Retirement Fund by \$3,869 for the year ended December 31, 2006. Also, contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Note Retirement Fund by \$2,819 for the year ended December 31, 2005. Budgetary expenditures exceeded appropriation authority in the Fire Levy Fund by \$886 and in the EMS Special Levy Fund by \$223 for the year ended December 31, 2006.

**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.

Public utilities are also taxed on personal and real property located within the Township.

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 LICK TOWNSHIP  
PERRY 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>
Equipment Loan	\$963	3.2%

The Township issued a general obligation note to finance the purchase of a new front end loader for Township road maintenance. The note is collateralized by the Township's taxing authority.

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

<u>Year ending December 31:</u>	<u>Equipment Loan</u>
2007	\$967

**6. Retirement System**

The Township's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes retirement 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.

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.

**SALT LICK TOWNSHIP  
PERRY COUNTY**

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

**7. Risk Management (Continued)**

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.

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	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>



**SALT LICK TOWNSHIP  
PERRY COUNTY**

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

**7. Risk Management (Continued)**

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
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 \$5,000. 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.

<b><u>Contributions to OTARMA</u></b>	
2004	\$1,863
2005	\$2,445
2006	\$2,398

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. Related Party Transactions**

Contracts for FEMA funded projects were awarded to Jake Denny, son of Township Trustee James Denny, during 2005. The Township paid \$18,420 in total for contract work performed. Trustee Denny abstained from voting on all matters concerning the contract and subsequent payment.

**SALT LICK TOWNSHIP  
PERRY COUNTY**

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

**9. Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes refunds, if any, would be immaterial.



# 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 Lick Township  
Perry County  
P.O. Box 136  
Shawnee, Ohio 43782

To the Board of Trustees:

We have audited the financial statements of the Salt Lick Township, Perry County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated December 6, 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. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated December 6, 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 2006-004.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated December 6, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

December 6, 2007

**SALT LICK TOWNSHIP  
PERRY 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 Noncompliance and Significant Deficiency**

Management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. This includes maintaining sufficient supporting documentation such as purchase orders, invoices, and vouchers for all non-payroll disbursements. In addition, the retention and disposal of public records must be in accordance with provisions of Ohio Revised Code § 149.42 and records must be made available in accordance with Ohio Revised Code § 149.43.

During our audit of the Township's non-payroll disbursements system, we noted a payment in the amount of \$3,054 was made to Shelly Materials, Inc., for which the Fiscal Officer could not locate an approved voucher, invoice or other supporting documentation. Failure to maintain the appropriate supporting documentation could allow payments to be made for items not received and allow other errors or irregularities to occur and remain undetected. Also, failure to maintain documentation indicates noncompliance with Ohio Revised Code §§ 149.42 and 149.43.

We recommend supporting documentation be maintained by the Fiscal Officer in accordance with record retention policies for each non-payroll disbursement including a voucher with the original invoice attached, purchase order information and any other supporting documentation applicable to the disbursement.

**Officials' Response**

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

**FINDING NUMBER 2006-002**

**Material Noncompliance and Significant Deficiency**

Ohio Admin. Code § 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

**SALT LICK TOWNSHIP  
PERRY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-002  
(Continued)**

**Material Noncompliance and Significant Deficiency - Ohio Admin. Code § 117-2-02(C)(1)  
(Continued)**

The Fiscal Officer did not properly post amendments made to estimated receipts to the accounting system. Variances existed between the amended certificate of estimated resources and the amounts posted to the accounting system for 2005. The following table details these variances:

	<u>Estimated Receipts per Amended Certificate</u>	<u>Estimated Receipts Posted to Receipts Ledger</u>	<u>Variance</u>
<b>2005</b>			
General Fund	\$21,864	\$20,689	\$1,175
Fire Levy Fund	9,383	11,391	(2,008)
EMS Special Levy Fund	3,909	4,633	(724)
FEMA Fund	0	22,121	(22,121)
<b>2006</b>			
Fire Levy Fund	9,383	10,269	(886)
EMS Special Levy Fund	3,909	4,131	(222)
Debt Service Fund	0	3,869	(3,869)

Failure to enter accurate information into the accounting system could result in Township management being unable to effectively monitor budgetary activity throughout the year.

We recommend the Fiscal Officer post to the accounting system estimated receipts from the certificate of estimated resources and any amendments thereto. The accompanying budgetary note disclosure includes budgeted receipts as certified by the County Auditor.

**Officials' Response**

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

**FINDING NUMBER 2006-003**

**Material Noncompliance and Significant Deficiency**

Ohio Rev. Code § 5705.39 states, in part, that total appropriations from each fund shall not exceed the total estimated resources.

For the year ending December 31, 2005, appropriations exceeded estimated resources by \$2,008 in the Fire Levy Fund, \$724 in the EMS Special Levy Fund, and \$22,121 in the FEMA Fund. For the year ending December 31, 2006, appropriations exceeded estimated resources by \$3,869 in the General Note Retirement Fund. Adopting appropriations in excess of estimated resources could result in deficit spending by the Township.

**SALT LICK TOWNSHIP  
PERRY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-003**

**Material Noncompliance and Significant Deficiency – Ohio Rev. Code § 5705.39 (Continued)**

We recommend the Board of Trustees limit total appropriations for each fund to the total estimated resources as indicated in the Township's most recent amended certificate of estimated resources.

**Officials' Response**

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

**FINDING NUMBER 2006-004**

**Material Noncompliance and Significant Deficiency**

Ohio Rev. Code § 5705.40 states, in part, that a subdivision may amend or supplement their appropriation measure provided the entity complies with the same provisions of the law as are used in making the original appropriation. In addition, Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

For 2005 and 2006, appropriations posted to the Township's accounting system did not agree to total appropriations by fund adopted by the Board of Trustees as noted in the minutes. In addition, no evidence was noted of additional appropriations being filed with and certified by the County Auditor. The following variances were noted between approved appropriations and those posted to the accounting system:

Fund	Appropriations Posted to the Accounting System	Approved Appropriations	Approved Appropriations Over/(Under) Appropriations Posted
<b>For the Year Ending December 31, 2005:</b>			
General Fund	\$26,620	\$27,995	\$1,375
Motor Vehicle License Tax Fund	9,915	10,115	200
Gasoline Tax Fund	88,132	80,039	(8,093)
General Note Retirement Fund	4,098	1,098	(3,000)
<b>For the Year Ending December 31, 2006:</b>			
Fire Levy Fund	10,286	9,400	(886)
EMS Special Levy Fund	4,139	3,916	(223)

As a result, for the year ended December 31, 2006, expenditures exceeded Board approved appropriations in the Fire Levy and EMS Special Levy Funds by \$886 and \$223, respectively. In addition expenditures exceeded appropriations in the General Note Retirement Fund by \$2,819 for the year ended December 31, 2005.

**SALT LICK TOWNSHIP  
PERRY COUNTY**

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

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2006-004**

**Material Noncompliance and Significant Deficiency – Ohio Rev. Code § 5705.40 (Continued)**

We recommend all appropriation amendments and supplemental appropriations be approved by the Board of Trustees, as evidenced in the minutes, prior to being posted to the Township's records. The accompanying note disclosure includes only appropriations that were approved by the Board of Trustees in the minutes.

**Officials' Response**

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





**Mary Taylor, CPA**  
Auditor of State

**SALT LICK TOWNSHIP**

**PERRY 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 15, 2008**