



Mary Taylor, CPA
Auditor of State

**SALEM TOWNSHIP
WASHINGTON COUNTY**

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Mary Taylor, CPA
Auditor of State

ACCOUNTANTS' REPORT

Salem Township
Washington County
P.O. Box 56
Lower Salem, Ohio 45745

To the Board of Trustees:

We have selectively tested certain accounts, financial records, files, and reports of Salem Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2008, 2007 and 2006 following Ohio Administrative Code Section 117-4-02.

The accompanying financial statements present receipts and disbursements by fund totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 20, 2010

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**SALEM TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance 1/1/2008</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/2008</u>
General	(\$79,365)	\$137,747	\$39,677	\$18,705
Special Revenue:				
Motor Vehicle License Tax	6,396	20,096	38,467	(11,975)
Gasoline Tax	149,513	86,416	161,845	74,084
Road and Bridge	46,004	23,236	53,152	16,088
Cemetery	(19,362)	10,081	12,661	(21,942)
Fire	58,272	26,343	36,730	47,885
Total Special Revenue	<u>240,823</u>	<u>166,172</u>	<u>302,855</u>	<u>104,140</u>
Debt Service Fund	(11,421)	6,703	0	(4,718)
Capital Projects:				
Capital Projects - FEMA	10,446	0	0	10,446
Capital Projects - Building	(43,942)	46,578	494	2,142
Total Capital Projects	(33,496)	46,578	494	12,588
Permanent Fund	(53)	0	0	(53)
Total All Funds	<u>\$116,488</u>	<u>\$357,200</u>	<u>\$343,026</u>	<u>\$130,662</u>

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

**SALEM TOWNSHIP
WASHINGTON COUNTY**

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

	<u>Balance 1/1/2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/2007</u>
General	(\$91,866)	\$70,362	\$57,861	(\$79,365)
Special Revenue:				
Motor Vehicle License Tax	70,146	20,070	83,820	6,396
Gasoline Tax	103,457	94,012	47,956	149,513
Road and Bridge	36,031	20,978	11,005	46,004
Cemetery	(18,423)	6,797	7,736	(19,362)
Fire	30,843	35,271	7,842	58,272
Total Special Revenue	<u>222,054</u>	<u>177,128</u>	<u>158,359</u>	<u>240,823</u>
Debt Service Fund	2,365	69	13,855	(11,421)
Capital Projects:				
Capital Projects - FEMA	10,446	0	0	10,446
Capital Projects - Building	(43,942)	0	0	(43,942)
Total Capital Projects	(33,496)	0	0	(33,496)
Permanent Fund	(53)	0	0	(53)
Total All Funds	<u>\$99,004</u>	<u>\$247,559</u>	<u>\$230,075</u>	<u>\$116,488</u>

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

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance 1/1/2006	Receipts	Disbursements	Balance 12/31/2006
General	(\$62,560)	\$58,282	\$87,588	(\$91,866)
Special Revenue:				
Motor Vehicle License Tax	53,747	17,299	900	70,146
Gasoline Tax	99,632	91,651	87,826	103,457
Road and Bridge	21,300	20,523	5,792	36,031
Cemetery	(14,884)	9,790	13,329	(18,423)
Fire	16,667	33,761	19,585	30,843
Total Special Revenue	<u>176,462</u>	<u>173,024</u>	<u>127,432</u>	<u>222,054</u>
Debt Service Fund	2,365	0	0	2,365
Capital Projects:				
Capital Projects - FEMA	42,088	11,929	43,571	10,446
Capital Projects - Building	<u>0</u>	<u>0</u>	<u>43,942</u>	<u>(43,942)</u>
Total Capital Projects	42,088	11,929	87,513	(33,496)
Permanent Fund	<u>(84)</u>	<u>31</u>	<u>0</u>	<u>(53)</u>
Total All Funds	<u>\$158,271</u>	<u>\$243,266</u>	<u>\$302,533</u>	<u>\$99,004</u>

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

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**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006**

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, Washington County (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).

The Township did not classify its receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

The Township uses fund accounting to segregate cash that is 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:

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining, and repairing Township roads.

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

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Note Retirement Fund - This fund accumulates property tax revenue for the repayment of debt incurred by the Township.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Funds:

Capital Projects - FEMA - This fund receives FEMA money for a road construction project.

Capital Projects - Building Fund - This fund received insurance proceeds from a Township building fire, and the proceeds are being used to reconstruct the building.

5. 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 is a nonexpendable trust fund to be used for cemetery maintenance.

D. 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. 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 approve estimated resources.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2008, 2007, and 2006 budgetary activity appears in Note 4.

E. 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. Restatement of Fund Balances

Fund balances were restated by the Township due to correction of errors in the cash reconciliation as of December 31, 2005. The correction of errors had the following effect on fund balance at January 1, 2006:

Fund Type	Fund Balance at 12/31/05	Correction of Error	Restated Fund Balance at 1/1/06
General	(\$168,389)	\$105,829	(\$62,560)
Special Revenue	284,476	(108,014)	176,462
Fiduciary	(2,269)	2,185	(84)
Total	<u>\$113,818</u>	<u>\$0</u>	<u>\$113,818</u>

3. Equity in Pooled Deposits

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

	2008	2007	2006
Demand deposits	<u>\$130,662</u>	<u>\$116,488</u>	<u>\$99,004</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2008, 2007 and 2006, follows:

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

4. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,050	\$137,747	\$73,697
Special Revenue	206,794	166,172	(40,622)
Debt Service	0	6,703	6,703
Capital Projects	0	46,578	46,578
Total	\$270,844	\$357,200	\$86,356

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,700	\$39,677	\$33,023
Special Revenue	226,384	302,855	(76,471)
Capital Projects	0	494	(494)
Total	\$299,084	\$343,026	(\$43,942)

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$70,362	\$70,362
Special Revenue	0	177,128	177,128
Debt Service	0	69	69
Total	\$0	\$247,559	\$247,559

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$57,861	(\$57,861)
Special Revenue	0	158,359	(158,359)
Debt Service	0	13,855	(13,855)
Total	\$0	\$230,075	(\$230,075)

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,055	\$58,282	\$2,227
Special Revenue	204,204	173,024	(31,180)
Debt Service	13,855	0	(13,855)
Capital Projects	0	11,929	11,929
Fiduciary	1,000	31	(969)
Total	\$275,114	\$243,266	(\$31,848)

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

4. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$87,588	(\$87,588)
Special Revenue	0	127,432	(127,432)
Capital Projects	0	87,513	(87,513)
Total	\$0	\$302,533	(\$302,533)

Contrary to Ohio law, an Official Certificate of Estimated Resources was not submitted to the budget commission for 2007. In addition, Official Certificates of Estimated Resources for 2006 and 2008 were submitted with inaccurate financial data.

Also contrary to Ohio law, annual appropriation measures were not adopted and/or submitted to the County Auditor for fiscal years 2006 and 2007. In addition, the appropriation measure for fiscal year 2008 was not approved and/or certified to the County Auditor until April 22, 2008.

Also contrary to Ohio law, for the year ended December 31, 2008, expenditures exceeded appropriations in the Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, and Capital Projects - Building funds by \$23,243, \$85,746, \$11,185, and \$494, respectively. For the years ended December 31, 2007 and 2006, expenditures exceeded appropriations in all funds due to appropriations not being approved for these years.

Also contrary to Ohio law, at December 31, 2008, the MVL, Cemetery, Debt Service, and Permanent funds had a cash deficit balance of \$11,975, \$21,942, \$4,718, and \$53, respectively. At December 31, 2007, the General, Cemetery, Debt Service, Capital Projects - Building and Permanent funds had a cash deficit balance of \$79,365, \$19,362, \$11,421, \$43,942, and \$53, respectively. At December 31, 2006, the General, Cemetery, Capital Projects - Building and Permanent funds had a cash deficit balance of \$91,866, \$18,423, \$43,942 and \$53, respectively.

5. 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. 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
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

6. Debt

Debt outstanding at December 31, 2008, was as follows:

	Principal	Interest Rate
Mini Pumper Loan	\$71,570	4%
Total	\$71,570	

The Township was issued a loan in 2004 for use towards the purchase of a new fire truck. This loan is paid in annual payments of \$13,854, including interest at a rate of 4.13% for 10 years. The loan is collateralized by the fire truck.

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

Year ending December 31:	Mini Pumper Loan
2009	\$13,854
2010	13,854
2011	13,854
2012	13,854
2013	13,854
Thereafter	13,858
Total	\$83,128

7. Retirement System

Township employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008, 2007 and 2006, OPERS members contributed 10, 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 14, 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

8. 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.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

8. 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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 \$9,000.

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.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

8. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
2006	\$9,979
2007	\$9,935
2008	\$10,161

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



Mary Taylor, CPA

Auditor of State

ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Salem Township
Washington County
P.O. Box 56
Lower Salem, Ohio 45745

To the Board of Trustees:

We have selectively tested certain accounts, financial records, files, and reports of Salem Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2008, 2007 and 2006, following Ohio Admin. Code Section 117-4-02. We noted the Township did not classify receipts and disbursements in its financial statements. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control over Financial Reporting

During our procedures related to the internal control over financial reporting we noted matters that, in our judgment, could adversely affect the Township's ability to initiate, authorize, record, process, or report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the Schedule of Findings as items 2008-001 through 2008-008.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Township. Noncompliance with these requirements could impact the Township's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying Schedule of Findings as items 2008-009 through 2008-021.

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.

Salem Township
Washington County
Accountants' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters
Page 2

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.

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

Mary Taylor, CPA
Auditor of State

January 20, 2010

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2008-001

Fiscal Responsibility/Monitoring of Financial Information

During the audit period, financial records were not adequately maintained and the Board of Trustees did not hold the Fiscal Officer accountable for the presentation of accurate financial information. Additionally, proper monitoring was not performed to determine that the required records were being maintained. These records would include monthly bank reconciliations, budget reports, receipt and expenditure ledgers, and payroll reports.

The Township was declared unauditible on June 11, 2008 due to the Township's book balance not reconciling to the bank balance throughout the entire audit period. Also, the 2006, 2007, and 2008 financial activity had not been posted in its entirety to the Uniform Accounting Network (UAN) cashbook, receipts ledger, and appropriation ledger. Additionally, a large number of transactions, when posted to the UAN system, were posted to improper funds.

The guidance of the Local Government Services (LGS) branch of the Auditor of State's Office was utilized to reconstruct/reconcile the Township's financial activity for the period January 1, 2006 to December 31, 2006. For 2006, the following financial information was presented to the Auditor of State for audit:

- Detailed bank reconciliations for each month in the period including follow-up on reconciling items;
- Reconstructed year-to-date cash book for the year; and,
- Trial balance for each year with revenue broken down by fund. Expenditures and fund balance were posted on the trial balance for the Township as a whole.

Since no classified financial statements for 2006, 2007 or 2008 were presented, and because of the fact that activity throughout 2007 and 2008 did not reconcile from bank to book (prior to the Auditor of State's performance of a proof of cash), the Auditor of State utilized the information provided for 2006 to compile unclassified financial statements by fund and utilized the Auditor of State reconciled amounts for 2007 and 2008.

The lack of adequate accounting records and monitoring resulted in the Township's MVL Fund, Cemetery Fund, Debt Service Fund, and Permanent Fund operating in a deficit as of December 31, 2008 in the amounts of \$11,975, \$21,942, \$4,718 and \$53, respectively. The condition of the records and lack of financial information impeded the ability of officials to act on complete and accurate information in conducting Township affairs and has resulted in the current fiscal status of the Township.

We recommend the Fiscal Officer utilize the UAN system and post all financial activity to the computer system, including budgeted receipts and appropriations.

It is the Board of Trustees' responsibility to monitor monthly reports and check to determine that related documents agree. Therefore, we also recommend the Trustee's monitor financial activity closely, and at each regular monthly meeting, at a minimum, require that the bank reconciliation and the detailed budget and actual receipt and disbursement reports be provided for review. Monthly bank reconciliations should be reviewed to ensure bank balances agree with the monthly fund balances. Any reconciling items should be reviewed to verify there are no unexplained items, and/or that the explanations are factual. The detailed budget versus actual reports should be reviewed to determine that receipts are in line with estimates and that expenditures are within appropriations and if necessary, appropriate budget modifications be updated.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2008-001 (Continued)

Fiscal Responsibility/Monitoring of Financial Information (Continued)

Officials' Response: The financial activity to the computer system will be finalized when the 2009 cash balances are up to date. Then a representative from the Auditor of State Local Government Services (LGS) Division will change the balances in the computer system, per private assigned password. The Fiscal Officer has given all the reports at each month's meeting except for the monthly check register, and that will start on February 11, 2010 which is the next monthly meeting.

FINDING NUMBER 2008-002

Monthly Cash Reconciliations

Throughout the audit period, the Fiscal Officer did not reconcile the end of month bank balance to the end of the month cash balance per the Township's accounting system.

The lack of accurate and timely performance of monthly bank reconciliations resulted in numerous errors which remained undetected and uncorrected until performance of the audit. These errors resulted in material adjustments being made to the accounting system to present accurate cash balances at year end.

We recommend the Fiscal Officer reconcile the month end bank balance to the cash balance per the accounting system on a monthly basis. Sufficient explanation and/or supporting documentation should be provided and retained for all reconciling items, such as outstanding checks, deposits in transit, and other adjusting factors that may appear on the reconciliation. We also recommend this reconciliation be reviewed and approved by the Board of Trustees at the monthly meetings.

Officials' Response: The Fiscal Officer is reading and refreshing the steps that are needed to reconcile the bank reconciliations to the cash balance. The Fiscal Officer has presented the reconciliation and the copy of the bank statement at each meeting for the Trustees to see.

FINDING NUMBER 2008-003

Non-Payroll Expenditures

An effective accounting system requires periodic monitoring by someone independent of the receipt/expenditure process and is one that requires review of supporting documentation to substantiate all accounting transactions.

Our testing revealed numerous weaknesses with the processing of non-payroll related expenditures. These weaknesses included, but were not limited to, unsupported payments, unapproved payments, and numerous checks written and cashed, that were subsequently voided on the Uniform Accounting Network (UAN) system. The voiding of cashed checks from the system resulted in difficulties reconciling bank to book amounts and numerous hours spent identifying these checks and their proper placement within the system.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2008-003 (Continued)

Non-Payroll Expenditures (Continued)

The total of unsupported disbursements for the audit period amounted to approximately \$80,169. Although a scan of the vendors revealed nothing unusual (most were vendors that the Township uses on a regular basis), the lack of support did not allow us to gain sufficient assurances over these disbursements. Due to the lack of monitoring of individual expenditures and lack of supporting documentation, we could not determine if any of these expenditures were for a proper public purpose or charged to the correct fund based on the nature of the disbursement.

All of the above noted weaknesses resulted in unclassified statements for the current audit period.

We recommend the following steps be taken to correct the above internal control weaknesses:

- Board of Trustees and the Fiscal Officer should require sufficient supporting documentation for all expenditures. An original invoice should be required to be presented before a payment is approved and paid.
- The Trustees should approve all expenditures prior to them being paid. The Fiscal Officer should provide the Trustees a listing of bills at each Trustee meeting that need paid. This should be presented as part of the financial report package which should include a monthly bank statement and monthly cash reconciliation.
- The Fiscal Officer should post all expenditures to the UAN system and checks should be printed directly from the computer. This would help in the cash reconciliation process, help assure completeness of expenditures made during the period, and help ensure more accurate financial reporting.

Officials' Response: The Fiscal Officer is not aware of how some checks got voided and would only void a check if made and printed that she knew was absolutely incorrect. The Fiscal Officer admits that there have been a few times that she accidentally sent the invoice back with the check to the vendors; and therefore, it did not leave a copy for her files. The Fiscal Officer has watched this very closely in the year 2009 and current. The Trustees have been approving prior expenditures which was started in 2009. She will be printing a list of the checks each month for the Trustees to see.

FINDING NUMBER 2008-004

Tax Receipts

Throughout the audit period, the Fiscal Officer posted tax receipts received from the County Auditor at the net amount. In order to properly and accurately report receipts and expenditures, property tax receipts should be reported at the gross amount with a corresponding memo disbursement for applicable fees that are withheld by the County Auditor.

The lack of accurate posting of these receipts, and related disbursements, resulted in receipt and expenditure amounts being misstated. These errors resulted in adjustments being made to the accounting system to present receipts and expenditures accurately at year end.

We recommend the Fiscal Officer record tax receipts at the gross amount. A memo expenditure should then be made for the applicable fees that are withheld by the County Auditor.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2008-004 (Continued)

Tax Receipts (Continued)

Officials' Response: The Fiscal Officer honestly forgot to record the memo expenditure for tax receipts from the County Auditor the way it was explained. She will watch that step from now on.

FINDING NUMBER 2008-005

Employee Timesheets

The Township employed one full-time employee throughout the audit period, who was paid at a legislatively established hourly rate per submitted timecards. The following deficiencies were noted when reviewing time cards throughout the audit period:

- During fiscal year 2006, there were 6 pay periods in which no timesheets were submitted for audit.
- During fiscal years 2006 and 2007, there were five timesheets which did not have any indication of a review by members of the Board of Trustees. The lack of Board approval for timesheets could result in employees being compensated for work not performed or work not authorized by the Board.
- Throughout the audit period, we noted numerous instances in which information per timesheets did not agree to amounts posted to the UAN system. Although this did not result in an incorrect amount of hours paid, it did not provide support for regular hours, vacation or holiday hours used.

We recommend the Fiscal Officer maintain on file all timesheets supporting the work performed by hourly employees. We also recommend the Board of Trustees review and sign, as an indication of their approval, each timesheet for the Township's hourly employees. Finally, we recommend the Fiscal Officer input hours used into the UAN system accurately.

Officials' Response: The Fiscal Officer has spoken with the full-time employee about finishing his timesheet and specifying on what date it needs to be brought to her attention. She will have the Trustees sign this after viewing and will print a report on the employee's hours, vacation, and etc. that has been used and record in the system.

FINDING NUMBER 2008-006

Leave Balances

The Township had one full time employee who accrued vacation leave at Board approved amounts. However, the Board did not require formal leave forms to be completed by the employee and approved by the Board prior to leave being used. In addition, the Fiscal Officer did not utilize leave reports available via the UAN system, nor did she maintain manual records documenting the accrual, usage, and balances available.

The practice of not requiring leave forms could result in leave being used by an employee that is not approved and/or not recorded. Additionally, the lack of maintaining leave records could allow leave to be used in excess of allowed amounts.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2008-006 (Continued)

Leave Balances (Continued)

We recommend the Fiscal Officer closely monitor leave, through the use of a leave record, and periodically review balances to ensure balances are accurate. We also recommend that leave forms be required to be completed and approved by the Board of Trustees prior to leave being used by an employee.

Officials' Responses: The employee now has a leave form for vacations and other leave that he marks and dates. This is given to the Fiscal Officer before the upcoming payperiod. The Board of Trustees does review this.

FINDING NUMBER 2008-007

Policies and Procedures Manual

The Township has not established a formal policies and procedure manual for the employees of the Township. In particular, the Township has not established formal policies for the following issues:

- Travel Reimbursements – We recommend the Board of Trustees adopt formal policies and procedures for the reimbursing of travel expenses for Township employees. This policy should include, at a minimum, an amount to be paid for mileage, maximum amounts to be paid for meals and overnight stays, and documentation required to be submitted to the Fiscal Officer for reimbursement.
- Township Credit Cards – We recommend the Board of Trustees adopt formal policies and procedures for the handling of the Township's credit cards. The Board may wish to refer to Ohio Rev. Code § 301.27, relating to County credit cards, as guidance for the Township's policies. The policy should include a description of employees authorized to use these credit cards and items which may be purchased on the Township's credit cards and give examples of items strictly prohibited from being purchased on these credit cards. The policy should also include guidance on how credit card purchases which cannot be accounted for by Township personnel are to be handled.
- Cell Phones – We recommend the Board of Trustees adopt formal policies outlining acceptable uses of Township cell phones. The lack of a formal policy increases the likelihood of phones being used for situations other than the performance of Township business. This policy should include authorized numbers and reasons for use of a Township cell phone, as well as, consequences for unauthorized use of these phones.

Officials' Responses: The Board of Trustees and Fiscal Officer are working on policies for travel reimbursements, credit card usage, and Township cell phones. We are hoping this policy manual is complete within the next two months if not sooner.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2008-008

Payroll Withholdings and Remittances

As required by law, the Township withholds federal and state taxes, Medicare, and retirement contributions from each employee of the Township based on required percentages (PERS and Medicare) and/or documentation submitted to the Fiscal Officer (state and federal taxes). The Fiscal Officer then submits these amounts, along with required Township contributions for PERS and Medicare, to the appropriate agency.

During our audit period, we noted payments were not always submitted timely or in the proper amounts. This resulted in late charges being assessed to the Township throughout the audit period.

At December 31, 2008, it appears that the Township has remitted excessive amounts for PERS, federal and state taxes, and Medicare. We recommend the Fiscal Officer contact the appropriate agency to determine actual balances on the Township accounts and rectify them accordingly.

Officials' Response: PERS, Departments of Taxation, and Medicare have been notified for corrections.

FINDING NUMBER 2008-009

Ohio Rev. Code Section 135.12(B) states, in part, that each governing board shall meet every five years for the purpose of designating the public depositories of the public moneys of the subdivision, and shall designate such public depositories and award the public moneys of the subdivision for the period of five years.

There was no evidence presented for audit to indicate that the Board of Trustees has formally designated the depository for public monies, nor was there any indication of approval noted in the minutes.

We recommend the Board of Trustees formally designate their depository as required.

Officials' Response: The Board of Trustees were not aware of this and will do this now and in the future.

FINDING NUMBER 2008-010

Ohio Rev. Code Section 135.22(B) requires, in part, that to enhance the background and working knowledge of treasurers in investments, cash management, and ethics, a treasurer shall complete the annual continuing education for treasurers provided by the Treasurer of State. However, a treasurer who annually provides the Auditor of State with a notice of exemption certified by the Treasurer of State stating that the treasurer is not subject to continuing education requirements is exempt from this requirement. This Section defines treasurer, in part, as any person whose duties include making investment decisions with respect to the investment or deposit of interim moneys.

The Fiscal Officer was responsible for investment and deposit of the Township's interim moneys; however, throughout the audit period, there was no evidence presented for audit to indicate the Fiscal Officer attended the annual continuing education nor did she file a notice of exemption with the Auditor of State.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2008-010 (Continued)

Ohio Rev. Code Section 135.22(B) (Continued)

We recommend the Fiscal Officer attend the annual continuing education provided by the Treasurer of State or file a notice of exemption, certified by the Treasurer of State, with the Auditor of State.

Officials' Response: The Fiscal Officer is willing to attend any training needed. There have been times when these trainings were scheduled when other important meetings, work hours or priorities were at hand.

FINDING NUMBER 2008-011

Ohio Rev. Code Sections 145.47 and 145.48 require public employees who are members of the Public Employees Retirement System to contribute a percentage of their earnable salary or compensation to the PERS employees' fund. The fiscal officer of each local authority shall deduct from the compensation of each member on every payroll period subsequent to the date such employee became a member, an amount equal to the applicable percent of such member's earnable salary or compensation.

26 U.S.C Section 3102(a) requires that Medicare be deducted from the compensation of all employees hired after April 1, 1986 and be remitted to the Internal Revenue Service.

Throughout the audit period, the Fiscal Officer calculated Medicare withholdings for the Township's elected officials using incorrect rates. In addition, for one month during 2008, incorrect rates were utilized when calculating PERS withholdings for these individuals. These variances were deemed insignificant.

We recommend the Fiscal Officer review the current percentages of both Medicare and PERS to ensure the proper amounts are being withheld and remitted to the applicable agency.

Officials' Response: The percentages have been changed. The Fiscal Officer received the "change notice" in the mail that gives the percentages for the current year.

FINDING NUMBER 2008-012

Ohio Rev. Code Section 149.43(E)(1) states, in part, that to ensure that all employees of public offices are appropriately educated about a public office's obligations under division (B) of this Section, all elected officials or their appropriate designees shall attend training approved by the Attorney General as provided in Section 109.43 of the Revised Code.

There was no evidence presented for audit to indicate that the elected officials, or an appropriate designee, attended the required public records training.

We recommend the appropriate township officials attend training and maintain certificates of completion, as evidence of their attendance.

Officials' Response: The Fiscal Officer is due to attend the required public records training and had it approximately one year ago with one of our Trustees.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2008-013

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. There is no one method for documenting time and the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The Township was not "directly informed" of the requirements of Ohio Rev. Code Section 505.24(C) in the audit for the years ended December 31, 2005 and 2004, which was released on April 15, 2008. Therefore, we are not issuing findings for adjustment for undocumented amounts not charged to the General Fund.

For 2007 and 2006, Trustee salaries were allocated between the General and various road funds. The Trustees did not prepare documentation for how they spent their time. It is necessary for township trustees to document their time in order to substantiate that salaries were allocated to the proper funds. During 2008, the Trustees did maintain timesheets documenting their time spent on road work and on administrative items. However, when we compared time documented to how payroll was allocated, we noted material variances. These variances resulted in an adjustment of \$8,886 to decrease the General Fund disbursements and increase the Gasoline Tax Fund disbursements.

We recommend the Township adopt formal administrative procedures regarding documenting the time spent by Trustees on various duties. Once these administrative procedures are established, Trustee salaries and related benefits should be charged to the applicable funds in accordance with the timesheets or other similar method of record keeping. If this matter is not corrected in the next audit possible findings for adjustments could be issued if salaries paid from funds other than the General Fund are not substantiated by appropriate time and effort documentation.

Officials' Response: The Trustees submit a monthly timesheet on the time spent on matters related to the service rendered to the Fiscal Officer.

FINDING NUMBER 2008-014

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover expenses of another fund.

As of year-end for all years under audit, the following funds had negative fund balances after adjustments were made:

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2008-014 (Continued)

Ohio Rev. Code Section 5705.10(H) (Continued)

<u>Year</u>	<u>Fund</u>	<u>Negative Fund Balance</u>
2006	General Fund	(\$91,866)
2006	Cemetery Fund	(\$18,423)
2006	Capital Projects - Building	(\$43,942)
2006	Permanent Fund	(\$53)
2007	General Fund	(\$79,365)
2007	Cemetery Fund	(\$19,362)
2007	Debt Service Fund	(\$11,421)
2007	Capital Projects - Building	(\$43,942)
2007	Permanent Fund	(\$53)
2008	MVL Fund	(\$11,975)
2008	Cemetery Fund	(\$21,942)
2008	Debt Service Fund	(\$4,718)
2008	Permanent Fund	(\$53)

We recommend the Fiscal Officer and Board of Trustees monitor fund activity throughout the year to help prevent negative fund balances.

Officials' Response: Negative fund balances should be resolved when 2009 cash journals are brought up to date along with LGS changing the numbers in the system.

FINDING NUMBER 2008-015

Ohio Rev. Code Section 5705.34 states, in part, that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the County Auditor before October 1 of each year, unless a later date is approved by the Tax Commissioner.

There was no indication that the Resolution Accepting Amounts and Rates for fiscal years 2006, 2007, or 2008 were approved by the Board of Trustees. In addition, although Resolutions Accepting Amounts and Rates were submitted to the County Auditor for 2006 and 2007, there was no resolution submitted for 2008.

We recommend the Board of Trustees pass a resolution to authorize the necessary tax levies and submit this resolution on or before October 1 of each year. Approval of this resolution should be documented in the minutes of the Board of Trustees or by formal resolution.

Officials' Response: Resolutions accepting amounts and rates for fiscal years will be submitted to the County Auditor for the necessary tax levies and will be done before October 1 of each year.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2008-016

Ohio Rev. Code Section 5705.36(A)(1) states that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the County Auditor the total amount from all sources available for expenditures from each fund set up in the tax budget. The amount certified shall include any unencumbered balances that existed at the end of the preceding year. A taxing authority shall exclude the nonexpendable trust principal balances from the unencumbered fund balances according to Ohio Rev. Code Section 5705.131.

During 2007, there was no evidence presented for audit to indicate that the unencumbered fund balances were certified with the County Auditor. During 2008, the unencumbered fund balances were not certified until April 23, 2008. In addition, the principal balance of the nonexpendable trust fund was not excluded from the unencumbered fund balances.

We recommend the Fiscal Officer certify to the County Auditor the unencumbered balances of the preceding fiscal year by the first day of the next fiscal year or within a reasonable time thereafter. We also recommend the Township exclude the principal balance of the nonexpendable trust fund from the unencumbered fund balances.

Officials' Response: The Fiscal Officer has certified to the County Auditor the total amount from all sources available for expenditures from each fund. The reason for the certified one on April 23, 2008 was because of the balances not being right in the system, and we only submitted for a six month certificate.

FINDING NUMBER 2008-017

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. Ohio Rev. Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

During 2007, the Fiscal Officer did not present an Official Certificate to the County Auditor for approval by the Budget Commission. In addition, during 2006 and 2008, an Official Certificate was approved by the Budget Commission. However, based on inaccurate financial data entered into the UAN system, these Official Certificate amounts were clearly misstated.

We recommend the Fiscal Officer certify accurate balances and estimated receipts to the County Auditor each year. We also recommend the Fiscal Officer monitor total available resources (actual receipts plus unencumbered beginning fund balance) more closely throughout the year to determine whether the current level of appropriations is exceeding total available resources. If so, the Fiscal Officer should request a revised amended certificate of estimated resources and then the Board of Trustees should amend appropriations to be in line with the revised amended certificate.

Officials' Response: The Fiscal Officer neglected in the past to certify an amended certificate to the County Auditor. If one is needed in the future, the Fiscal Officer will not hesitate to submit one.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2008-018

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

During 2006 and 2007, the annual appropriation measure was not formally approved by the Board of Trustees. Additionally, there was no indication that this resolution was submitted for approval by the County Auditor. During 2008, appropriations were not passed by the Trustees and/or certified to the County Auditor until April 22, 2008.

We recommend the Trustees pass an appropriations resolution each year in a more timely manner as this is the mechanism that drives the level of spending allowed based on resources available. Without an approved appropriation measure, the Township could incur deficit spending.

Officials' Response: An appropriation resolution is now being done on the first meeting of each new fiscal year.

FINDING NUMBER 2008-019

Ohio Rev. Code Section 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.

During the audit period, formal appropriations were only approved and/or submitted to the County Auditor during 2008. A review of these appropriations compared to amounts posted to the UAN system indicated that numerous amendments were made throughout the year. However, we noted these amendments were not approved by the Board of Trustees in the minutes and/or certified to the County Auditor.

We recommend Township management review budgetary procedures for amending appropriations, document the Board approval of all appropriations amendments in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should post these amendments only after the required approvals have been obtained. The accompanying budgetary presentation includes only appropriations approved by the Board.

Officials' Response: The Board of Trustees are now doing the appropriations along with the Fiscal Officer, and it's being signed off on and submitted to the County Auditor.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2008-020

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated. During 2006 and 2007, no formal appropriations were approved by the Board or submitted to the County Auditor, thus all expenditures made during those years exceeded appropriations. During the year ended December 31, 2008, the only year in which formal appropriations were approved, the following Township funds had expenditures which exceeded approved appropriations:

<u>Year</u>	<u>Fund</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
2008	Motor Vehicle License Tax	\$15,224	\$38,467	(\$23,243)
2008	Gasoline Tax	\$76,099	\$161,845	(\$85,746)
2008	Road and Bridge	\$41,967	\$53,152	(\$11,185)
2008	Capital Projects - Building	\$0	\$494	(\$494)

The practice of allowing expenditures to exceed appropriations could result in deficit spending within these funds.

The Fiscal Officer should deny payment requests exceeding appropriations, as required by Ohio Rev. Code Section 5705.41(D). We recommend the Fiscal Officer and Board of Trustees compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

Officials' Response: An appropriation report is given to each Trustee at the monthly meeting. This should help keep the records from exceeding.

FINDING NUMBER 2008-021

Ohio Rev. Code Section 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 receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2008-021 (Continued)

Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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

2. Blanket Certificates - Fiscal officers may prepare so-called "blanket" certificates not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 79 percent of the expenditures tested during the audit period. There was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township 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 Section 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 Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response: The computer program does not have "then and now" but does have blanket certificates. After an explanation of how this is properly used at our post audit, the Fiscal Officer will study and look into this much further.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008, 2007 AND 2006
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-009	Material Weakness – Cash reconciliations	No	Not Corrected; Reissued as Finding Number 2008-002.
2005-010	Significant Deficiency – Payroll reconciliations	Yes	Corrected
2005-011	Ohio Rev. Code Section 5705.41 (B) – Expenditures exceeding appropriations.	No	Not Corrected; Reissued as Finding Number 2008-020.



Mary Taylor, CPA
Auditor of State

SALEM TOWNSHIP

WASHINGTON 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
MARCH 2, 2010**