



**Auditor of State
Betty Montgomery**

**SALT CREEK TOWNSHIP
MUSKINGUM COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	16

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Salt Creek Township
Muskingum County
7340 Chandlersville Road
Chandlersville, Ohio 43727

To the Board of Trustees:

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Salt Creek Township
Muskingum County
Independent Accountants' Report
Page 2

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

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

Betty Montgomery
Auditor of State

August 11, 2003

**SALT CREEK TOWNSHIP
MUSKINGUM COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$23,199	\$19,787	\$42,986
Intergovernmental	26,660	64,068	90,728
Licenses, Permits, and Fees		4,225	4,225
Earnings on Investments	271	47	318
Other Revenue	63		63
	<u>50,193</u>	<u>88,127</u>	<u>138,320</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	31,855		31,855
Public Safety	1,669	8,335	10,004
Public Works	36,331	60,484	96,815
Health		3,368	3,368
Debt Service:			
Redemption of Principal		12,705	12,705
Interest and Fiscal Charges		440	440
Capital Outlay	15,830	39,974	55,804
	<u>85,685</u>	<u>125,306</u>	<u>210,991</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(35,492)</u>	<u>(37,179)</u>	<u>(72,671)</u>
Other Financing Receipts/(Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes		38,500	38,500
Transfers-In		973	973
Transfers-Out		(973)	(973)
	<u>0</u>	<u>38,500</u>	<u>38,500</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(35,492)	1,321	(34,171)
Fund Cash Balances, January 1	<u>56,867</u>	<u>21,321</u>	<u>78,188</u>
Fund Cash Balances, December 31	<u>\$21,375</u>	<u>\$22,642</u>	<u>\$44,017</u>

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

**SALT CREEK TOWNSHIP
MUSKINGUM COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$21,727	\$18,921	\$40,648
Intergovernmental	77,704	60,740	138,444
Licenses, Permits, and Fees	0	3,375	3,375
Earnings on Investments	366	153	519
Other Revenue	4,185	300	4,485
	<u>103,982</u>	<u>83,489</u>	<u>187,471</u>
Total Cash Receipts			
	<u>103,982</u>	<u>83,489</u>	<u>187,471</u>
Cash Disbursements:			
Current:			
General Government	34,369		34,369
Public Safety	1,206	8,926	10,132
Public Works	22,363	61,658	84,021
Health		4,000	4,000
Debt Service:			
Redemption of Principal		7,725	7,725
Interest and Fiscal Charges		902	902
Capital Outlay		50,572	50,572
	<u>57,938</u>	<u>133,783</u>	<u>191,721</u>
Total Cash Disbursements			
	<u>57,938</u>	<u>133,783</u>	<u>191,721</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>46,044</u>	<u>(50,294)</u>	<u>(4,250)</u>
Other Financing Receipts/(Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes		44,820	44,820
Transfers-In		5,000	5,000
Transfers-Out	(5,000)		(5,000)
	<u>(5,000)</u>	<u>49,820</u>	<u>44,820</u>
Total Other Financing Receipts/(Disbursements)			
	<u>(5,000)</u>	<u>49,820</u>	<u>44,820</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	41,044	(474)	40,570
Fund Cash Balances, January 1	15,823	21,795	37,618
Fund Cash Balances, December 31	<u>\$56,867</u>	<u>\$21,321</u>	<u>\$78,188</u>

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

**SALT CREEK TOWNSHIP
MUSKINGUM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Salt Creek Township, Muskingum County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with Wayne Township Fire Department for fire protection services and with Harrison Township to provide ambulance services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The Township Clerk invests all available funds of the Township in an interest-bearing checking account.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

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

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

**SALT CREEK TOWNSHIP
MUSKINGUM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

Fire District Fund - This fund receives property tax money for maintaining and equipping a volunteer fire department.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

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

F. Property, Plant and Equipment

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

**SALT CREEK TOWNSHIP
MUSKINGUM COUNTY**

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

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$44,017	\$78,188

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

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,765	\$50,193	\$428
Special Revenue	94,991	127,600	32,609
Total	\$144,756	\$177,793	\$33,037

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$111,028	\$85,685	\$25,343
Special Revenue	116,311	126,279	(9,968)
Total	\$227,339	\$211,964	\$15,375

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$109,568	\$103,982	(\$5,586)
Special Revenue	99,918	133,309	33,391
Total	\$209,486	\$237,291	\$27,805

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$66,041	\$62,938	\$3,103
Special Revenue	105,138	133,783	(28,645)
Total	\$171,179	\$196,721	(\$25,542)

**SALT CREEK TOWNSHIP
MUSKINGUM COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

Compliance and Accountability:

Contrary to Ohio law, appropriations exceeded estimated resources by \$4,396 in the General Fund for the year ended December 31, 2002.

Also contrary to Ohio law, proceeds of notes were expended but not budgeted on the amended certificates of estimated resources and on the appropriations resolutions.

4. PROPERTY TAX

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2001 General Obligation Notes- Backhoe	\$39,840	5.52%
2002 General Obligation Notes- Building	38,500	4.79%
Total	<u><u>\$78,340</u></u>	

The general obligation notes were issued to finance the purchase of a new backhoe and equipment storage building. The notes are collateralized solely by the Township's taxing authority.

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

**SALT CREEK TOWNSHIP
MUSKINGUM COUNTY**

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

5. DEBT (Continued)

	General Obligation Notes- Backhoe	General Obligation Notes- Building
Year ending December 31:	<u> </u>	<u> </u>
2003	\$7,210	\$7,386
2004	6,931	7,119
2205	6,652	6,852
2006	6,374	6,585
2007	6,095	6,317
2008 - 2010	16,612	11,833
Total	<u><u>\$49,874</u></u>	<u><u>\$46,092</u></u>

6. RETIREMENT SYSTEMS

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

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

7. RISK POOL MEMBERSHIP

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

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

**SALT CREEK TOWNSHIP
MUSKINGUM COUNTY**

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

7. RISK POOL MEMBERSHIP (Continued)

Property Coverage

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

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

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

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



**Auditor of State
Betty Montgomery**

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

Salt Creek Township
Muskingum County
7340 Chandlersville Road
Chandlersville, Ohio 43727

To the Board of Trustees:

We have audited the accompanying financial statements of Salt Creek Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 11, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-004. We also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated August 11, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-001, 2002-005 and 2002-006.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions disclosed above as items 2002-001 and 2002-005 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated August 11, 2003.

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

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

Betty Montgomery
Auditor of State

August 11, 2003

**SALT CREEK TOWNSHIP
MUSKINGUM COUNTY**

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

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

FINDING NUMBER 2002-001

Noncompliance Citation/Material Weakness

Ohio Rev. Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the fiscal officer (Township Clerk).

Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that both at the time of the making of such contract or order and at the time of execution of such certificate, a sufficient sum was appropriated and free of any previous encumbrances, the taxing authority (Board of Trustees) may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

We noted 88% of expenditures tested were not certified by the Clerk until after the liability had been incurred. These commitments were neither subsequently certified with a "then and now certificate" nor approved by the Board of Trustees within the aforementioned 30 day time period.

We recommend the Township personnel obtain the Clerk's certification prior to incurring any obligations on behalf of the Township.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Rev. Code § 5705.39 requires appropriations from each fund to be limited to total estimated resources. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

During the year ended December 31, 2002, appropriations exceeded total estimated resources in the General Fund by \$4,396. This could result in deficit spending.

We recommend the Township compare proposed appropriations with the official estimate or amended official estimate to help ensure that appropriations do not exceed the Township's estimated resources. Appropriations should not be posted to the Township's books until the County Auditor certifies that appropriations do not exceed estimated resources.

**SALT CREEK TOWNSHIP
MUSKINGUM COUNTY**

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

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

FINDING NUMBER 2002-003

Noncompliance Citation

Ohio Rev. Code § 5705.36 allows all political 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. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

During 2001 and 2002, the Township did not obtain an increased amended certificate reflecting the proceeds from the issuance of notes but did expend the note proceeds for the purchase of equipment and a storage building.

We recommend the Township obtain an increased amended certificate of estimated resources when issuing debt, if the debt proceeds are not already included in its estimated resources. This procedure would enable the Township to adopt additional appropriations as explained in finding number 2002-004.

FINDING NUMBER 2002-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been properly appropriated.

Gasoline Tax Fund expenditures exceeded appropriations by \$29,342 and \$39,333, for 2002 and 2001, respectively, since the Township failed to adopt appropriations for the expenditure of the note proceeds for the purchase of equipment and a storage building.

We recommend the Township adopt additional appropriations once an increased amended certificate has been obtained for debt proceeds as explained in finding number 2002-003. The Clerk should refuse requests for payment where appropriations are not available.

FINDING NUMBER 2002-005

Material Weakness

The Township's financial records should reflect all financial activity of the Township.

The Township issued \$44,820 in general obligation notes during 2001 for the purpose of purchasing a backhoe and \$38,500 in general obligation notes during 2002 for the purpose of constructing an equipment storage building. In both years, the bank which purchased the notes made the check payable directly to the vendor. The Township did not post the debt proceeds and the expenditures for the backhoe and equipment storage building.

**SALT CREEK TOWNSHIP
MUSKINGUM COUNTY**

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

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

FINDING NUMBER 2002-005 (Continued)

Material Weakness (Continued)

As a result, receipts and disbursements were understated on the Township's books and annual financial reports for 2001 and 2002. Adjustments with which the Township's management agrees have been posted to the Township's books and are reflected in the accompanying financial statements.

We recommend the Township record all debt proceeds and the corresponding expenditures in the Township's books.

FINDING NUMBER 2002-006

Reportable Condition

During 2002 and 2001, variances existed between the certificates of estimated resources and amounts posted to the accounting system throughout the year as follows:

For 2002:

Fund	Budgeted Receipts per the UAN system	Budgeted Receipts per the Certificate of Estimated Resources	Variance
General	\$54,161	\$49,765	\$4,396
Gasoline Tax Fund	53,216	54,189	(973)

For 2001:

Fund	Budgeted Receipts per the UAN system	Budgeted Receipts per the Certificate of Estimated Resources	Variance
General	\$109,676	\$109,568	\$108

Because the information entered into the accounting system was inaccurate, Township management's monitoring of budget versus actual activity during the year was ineffective. Adjustments were made to the budgetary activity reported in Note 3 of the financial statements in order to accurately present the certified amount of estimated receipts.

We recommend the Clerk record estimated receipts as certified by the budget commission on the certificate of estimated resources and any amendments thereto. This would help ensure a useful comparison of estimated to actual receipts to be made throughout the year and help indicate when an increased or decreased amended certificate should be obtained.

**SALT CREEK TOWNSHIP
MUSKINGUM COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-41060-001	The Township did not comply with Ohio Rev. Code Section 5705.10 requiring that all revenue derived from a specific source be credited to a special fund for the purpose for which the monies were received.	No	Partially corrected- now placed in the management letter.
2000-41060-002	The Township did not comply with Ohio Rev. Code Section 5705.41(D) concerning obtaining the Clerk's certification of the availability of unencumbered appropriations prior to ordering any expenditure of Township funds.	No	Not corrected - repeated in current audit as finding number 2002-001
2000-41060-003	The Township did not comply with Ohio Rev. Code Section 5705.36. It did not obtain an increased amended certificate for the proceeds of the issuance of notes.	No	Not corrected - repeated in current audit as finding number 2002-003
2000-41060-004	The Township did not comply with Ohio Rev. Code Section 5705.41(B); expenditure cannot be made unless it has been properly appropriated.	No	Not corrected- repeated in current audit as finding number 2002-004
2000-41060-005	The Township did not properly post budgeted receipts to the accounting system	No	Not corrected- repeated in current audit as finding number 2002-006

**SALT CREEK TOWNSHIP
MUSKINGUM COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-41060-006	The Township issued general obligation notes for the purchase of a dump truck and did not properly recognize the revenue and expenditure associated with debt issuance and equipment purchases.	No	Not corrected- repeated in current audit as finding number 2002-005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

SALT CREEK TOWNSHIP

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 23, 2003**