

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA

Auditor of State

Board of Trustees
Salem Township
10301 Wones Rd.
Maplewood, OH 45340

We have reviewed the *Independent Auditor's Report* of Salem Township, Shelby County, prepared by E. S. Evans and Company, for the audit period January 1, 2005 to December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Salem Township is responsible for compliance with these laws and regulations.

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Mary Taylor, CPA
Auditor of State

November 16, 2007

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SALEM TOWNSHIP
SHELBY COUNTY, OHIO

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E.S. Evans and Company

Certified Public Accountants and Consultants

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

October 19, 2007

INDEPENDENT AUDITOR'S REPORT

Salem Township
Shelby County, Ohio

We have audited the accompanying financial statements of Salem Township, Shelby County, (the Township) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

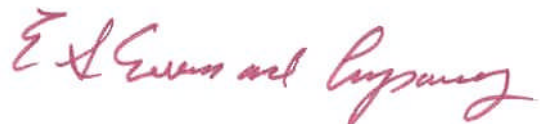
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also to present its larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in red ink, appearing to read "E. J. Green and Company".

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL
FUND TYPES

For the Year Ended December 31, 2006

	<u>Governmental Fund Types</u>				Totals
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	(Memorandum Only)
<u>Cash Receipts:</u>					
Property and Other Local Taxes	\$ 19,538	\$ 73,389	\$ -	\$ -	\$ 92,927
Licenses, Permits, and Fees	1,289	27,703	-	-	28,992
Intergovernmental Revenues	43,889	94,486	-	-	138,375
Special Assessments	-	1,881	-	-	1,881
Interest Revenues	786	1,000	-	1,757	3,543
Miscellaneous	662	340	-	-	1,002
Total Cash Receipts	<u>66,164</u>	<u>198,799</u>	<u>-</u>	<u>1,757</u>	<u>266,720</u>
<u>Cash Disbursements:</u>					
Current -					
General Government	36,551	410	-	-	36,961
Public Safety	-	65,097	-	-	65,097
Public Works	-	74,782	-	-	74,782
Health	7,520	31,417	-	156	39,093
Capital Outlay	2,295	2,501	14,600	-	19,396
Total Cash Disbursements	<u>46,366</u>	<u>174,207</u>	<u>14,600</u>	<u>156</u>	<u>235,329</u>
Total Cash Receipts Over/(Under)					
Cash Disbursements	<u>19,798</u>	<u>24,592</u>	<u>(14,600)</u>	<u>1,601</u>	<u>31,391</u>
Other Financing Receipts/(Disbursements):					
Transfers-In	-	-	7,798	-	7,798
Transfers-Out	(7,798)	-	-	-	(7,798)
Total Other Financing Receipts/(Disbursements)	<u>(7,798)</u>	<u>-</u>	<u>7,798</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	12,000	24,592	(6,802)	1,601	31,391
Fund Cash Balance - January 1, 2006	<u>41,789</u>	<u>154,311</u>	<u>102,794</u>	<u>72,234</u>	<u>371,128</u>
Fund Cash Balance - December 31, 2006	<u>\$ 53,789</u>	<u>\$ 178,903</u>	<u>\$ 95,992</u>	<u>\$ 73,835</u>	<u>\$ 402,519</u>

The accompanying notes are an integral part
of these financial statements.

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL
FUND TYPES

For the Year Ended December 31, 2005

	<u>Governmental Fund Types</u>				Totals
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	(Memorandum Only)
<u>Cash Receipts:</u>					
Property and Other Local Taxes	\$ 18,088	\$ 70,934	\$ -	\$ -	\$ 89,022
Licenses, Permits, and Fees	1,928	26,131	-	-	28,059
Intergovernmental Revenues	33,237	107,588	-	-	140,825
Special Assessments	-	1,764	-	-	1,764
Interest Revenues	623	856	-	779	2,258
Miscellaneous	333	11,816	-	-	12,149
Total Cash Receipts	<u>54,209</u>	<u>219,089</u>	<u>-</u>	<u>779</u>	<u>274,077</u>
<u>Cash Disbursements:</u>					
Current -					
General Government	31,890	428	-	-	32,318
Public Safety	-	58,094	-	-	58,094
Public Works	-	62,026	-	-	62,026
Health	7,207	33,413	-	10,746	51,366
Capital Outlay	1,305	-	-	-	1,305
Total Cash Disbursements	<u>40,402</u>	<u>153,961</u>	<u>-</u>	<u>10,746</u>	<u>205,109</u>
Total Cash Receipts Over/(Under)					
Cash Disbursements	<u>13,807</u>	<u>65,128</u>	<u>-</u>	<u>(9,967)</u>	<u>68,968</u>
Other Financing Receipts/(Disbursements):					
Transfers-In	7,193	7,193	-	-	14,386
Transfers-Out	(7,193)	(7,193)	-	-	(14,386)
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	13,807	65,128	-	(9,967)	68,968
Fund Cash Balance - January 1, 2005	<u>27,982</u>	<u>89,183</u>	<u>102,794</u>	<u>82,201</u>	<u>302,160</u>
<u>Fund Cash Balance - December 31, 2005</u>	<u>\$ 41,789</u>	<u>\$ 154,311</u>	<u>\$ 102,794</u>	<u>\$ 72,234</u>	<u>\$ 371,128</u>

The accompanying notes are an integral part
of these financial statements.

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 1 - Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Salem Township, Shelby County, (the Township), as a political and corporate body. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services. The Township contracts with the Maplewood Fire Department and the Village of Port Jefferson Fire Department to provide fire protection and the Perry Port Salem Ambulance District to provide ambulance services.

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

Basis of Accounting

These financial statements follow the accounting basis prescribed or permitted by the Auditor of State. This basis is similar to the cash receipts and disbursements basis of accounting. Consequently, receipts are recognized when received 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.

Cash and Investments

The Township maintains a checking account, savings account, and two certificates of deposit which are valued at cost.

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:

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund Accounting - (continued)

Special Revenue Funds

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

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

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

Glen Cemetery Fund – This fund receives money from the sale of plots and the opening and closing of graves to be used for the general upkeep of the cemetery.

Fire District Fund – This fund receives property and local tax money to pay for fire service contracts for the Township.

Capital Project Funds

The Capital Project Funds are used to 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:

Building and Equipment Fund – This fund was established to accumulate funds for maintaining and acquiring Township property and equipment. Money is transferred from the general fund as available or needed.

Permanent Funds

The Permanent Funds are funds in which the principal may not be expended. The interest earned on the funds is used to maintain cemeteries within the Township.

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 1 - Summary of Significant Accounting Policies

Budgetary Process

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

Estimated Resources

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

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.

Encumbrances

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

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

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 1 - Summary of Significant Accounting Policies - (continued)

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.

Accumulated Leave

In certain circumstances, such as leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Note 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 cash at December 31 was as follows:

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$ 356,568	\$ 326,628
Certificates of Deposits	45,951	44,500
Total Deposits	<u>\$ 402,519</u>	<u>\$ 371,128</u>

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

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 3 – Budgetary Activity

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

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 105,148	\$ 66,164	\$ (38,984)
Special Revenue	383,886	198,799	(185,087)
Capital Projects	122,794	7,798	(114,996)
Permanent	73,634	1,757	(71,877)
	<u>\$ 685,462</u>	<u>\$ 274,518</u>	<u>\$ (410,944)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 105,148	\$ 54,164	\$ 50,984
Special Revenue	383,886	174,207	209,679
Capital Projects	122,794	14,600	108,194
Permanent	14,373	156	14,217
	<u>\$ 626,201</u>	<u>\$ 243,127</u>	<u>\$ 383,074</u>

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 92,810	\$ 61,402	\$ (31,408)
Special Revenue	271,036	226,282	(44,754)
Capital Projects	112,794	-	(112,794)
Permanent	24,067	779	(23,288)
	<u>\$ 500,707</u>	<u>\$ 288,463</u>	<u>\$ (212,244)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 92,810	\$ 47,595	\$ 45,215
Special Revenue	271,036	161,154	109,882
Capital Projects	112,794	-	112,794
Permanent	2,700	10,746	(8,046)
	<u>\$ 479,340</u>	<u>\$ 219,495</u>	<u>\$ 259,845</u>

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 3 – Budgetary Activity – (continued)

Contrary to Ohio law, appropriations exceeded actual available resources by \$2,049 in the General Fund, by \$6 in the Motor Vehicle License Tax – Special Revenue Fund, by \$10 in the Maplewood Lighting Assessment – Special Revenue Fund, and by \$10,000 in the Building and Equipment – Capital Projects fund at December 31, 2005. In addition, appropriations exceeded actual available resources by \$785 in the Motor Vehicle License Tax – Special Revenue Fund, by \$21,027 in the Gasoline Tax – Special Revenue Fund, by \$12,297 in the Glen Cemetery Memorial Day – Special Revenue Fund, and by \$20,000 in the Building and Equipment – Capital Projects fund at December 31, 2006.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Glen Cemetery Perpetual Care – Permanent Fund by \$8,046 at December 31, 2005.

Note 4 - Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts 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 State pays the Township amounts equaling these deductions. The Township includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Township's behalf.

Note 5 – Retirement Systems

Ohio Public Employees Retirement System (OPERS)

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

The Ohio Revised Code also prescribes contribution rates. For 2005, OPERS members contributed 8.5 percent of their gross salary. The Township contributed an amount equal to 13.55 percent of participants' gross salaries. For 2006, OPERS members contributed 9.0 percent of their gross salary. The Township contributed an amount equaling 13.70 percent of participants' gross salaries. The Township has paid all required contributions through December 31, 2006.

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 6 - Risk Management

Risk Pool Membership

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 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.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500,000,000 per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers' provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 township.

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 6 - Risk Management – (continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31, 2005 and 2004 (the latest information available):

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 30,485,638	\$ 28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained Earnings	\$ <u>18,141,062</u>	\$ <u>17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 9,177,796	\$ 7,588,343
Liabilities	(1,406,031)	(543,176)
Retained Earnings	\$ <u>7,771,765</u>	\$ <u>7,045,167</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The casualty coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, 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 \$6,937. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 6 - Risk Management – (continued)

	Township Contributions to <u>OTARMA</u>
2005	\$ 3,470
2006	3,467

The Township joined OTARMA effective May 13, 2005. Prior to that, insurance was obtained from a commercial insurer.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must 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 years contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses became the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Note 7 - Subsequent Events

The Township had the following material matter occur after December 31, 2006:

- On May 1, 2007 the Township agreed to participate in an Issue I project for capital improvements to Herring Road at an estimated cost of \$137,712. The Township was awarded a grant from Ohio Public Works Commission in the amount of \$23,101 and the balance of \$114,611 will be paid out of Township funds.

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E.S. Evans and Company

Certified Public Accountants and Consultants

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075
P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

October 19, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Salem Township
Shelby County, Ohio

We have audited the financial statements of the Salem Township, Shelby County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 19, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Salem Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Salem Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Salem Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Salem Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of Salem Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Salem Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we noted certain internal control matters that we reported to Salem Township's management in separate letter dated October 19, 2007.

Compliance and Other Matters

As part of reasonably assuring whether Salem Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

In a separate letter to Salem Township's management dated October 19, 2007, we reported matters related to noncompliance.

We intend this report solely for the information and use of management of Salem Township and the Auditor of State of Ohio. It is not intended for anyone other than these specified parties.

A handwritten signature in red ink, appearing to read "E. J. ... and ...", is located in the lower right quadrant of the page.



Mary Taylor, CPA
Auditor of State

SALEM TOWNSHIP

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 4, 2007**