

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009



Dave Yost • Auditor of State

Board of Trustees
Salem Township
P.O. Box 187
Port Jefferson, Ohio 45360

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, 2009 through December 31, 2010. 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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Dave Yost
Auditor of State

October 28, 2011

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SALEM TOWNSHIP
SHELBY COUNTY, OHIO

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT -----	PAGE	1
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES – FOR THE YEAR ENDED DECEMBER 31, 2010 -----		3
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES – FOR THE YEAR ENDED DECEMBER 31, 2009 -----		4
NOTES TO FINANCIAL STATEMENTS -----		5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY <u>GOVERNMENT AUDITING STANDARDS</u> -----		15
SCHEDULE OF FINDINGS-----		17
SCHEDULE OF PRIOR AUDIT FINDINGS -----		19

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Steven D. Hooker, CPA • John E. Klay, CPA

July 20, 2011

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, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Government Auditing Standards. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2010 and 2009 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, 2010 and 2009, 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, 2010 and 2009, 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 July 20, 2011, 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.

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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, 2010

	<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	\$ 32,761	\$ 79,647	\$ -	\$ -	\$ 112,408
Licenses, Permits, and Fees	13,747	24,201	-	-	37,948
Intergovernmental Revenues	46,790	100,731	-	-	147,521
Special Assessments	-	1,673	-	-	1,673
Interest Revenues	10	13	-	3,746	3,769
Miscellaneous	-	225	-	-	225
Total Cash Receipts	<u>93,308</u>	<u>206,490</u>	<u>-</u>	<u>3,746</u>	<u>303,544</u>
<u>Cash Disbursements:</u>					
Current -					
General Government	62,221	305	-	64	62,590
Public Safety	-	74,360	-	-	74,360
Public Works	-	87,505	-	-	87,505
Health	14,280	25,967	-	5,109	45,356
Capital Outlay	-	15	119	-	134
Total Cash Disbursements	<u>76,501</u>	<u>188,152</u>	<u>119</u>	<u>5,173</u>	<u>269,945</u>
Total Cash Receipts Over/(Under)					
Cash Disbursements	16,807	18,338	(119)	(1,427)	33,599
<u>Fund Cash Balance - January 1, 2010</u>	<u>8,377</u>	<u>196,877</u>	<u>119</u>	<u>80,282</u>	<u>285,655</u>
<u>Fund Cash Balance - December 31, 2010</u>	<u>\$ 25,184</u>	<u>\$ 215,215</u>	<u>\$ -</u>	<u>\$ 78,855</u>	<u>\$ 319,254</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, 2009

	<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	\$ 22,540	\$ 81,144	\$ -	\$ -	\$ 103,684
Licenses, Permits, and Fees	2,182	34,290	-	-	36,472
Intergovernmental Revenues	36,638	107,462	-	-	144,100
Special Assessments	-	1,941	-	-	1,941
Interest Revenues	29	20	-	2,412	2,461
Miscellaneous	-	100	-	-	100
Total Cash Receipts	<u>61,389</u>	<u>224,957</u>	<u>-</u>	<u>2,412</u>	<u>288,758</u>
<u>Cash Disbursements:</u>					
Current -					
General Government	83,552	533	-	48	84,133
Public Safety	-	64,506	-	-	64,506
Public Works	-	77,742	-	-	77,742
Health	13,282	34,488	-	-	47,770
Capital Outlay	<u>2,070</u>	<u>3,076</u>	<u>43,980</u>	-	<u>49,126</u>
Total Cash Disbursements	<u>98,904</u>	<u>180,345</u>	<u>43,980</u>	<u>48</u>	<u>323,277</u>
Total Cash Receipts Over/(Under)					
Cash Disbursements	(37,515)	44,612	(43,980)	2,364	(34,519)
<u>Fund Cash Balance - January 1, 2009</u>	<u>45,892</u>	<u>152,265</u>	<u>44,099</u>	<u>77,918</u>	<u>320,174</u>
<u>Fund Cash Balance - December 31, 2009</u>	<u>\$ 8,377</u>	<u>\$ 196,877</u>	<u>\$ 119</u>	<u>\$ 80,282</u>	<u>\$ 285,655</u>

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

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

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, 2010 and 2009

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.

Motor Vehicle License Fund – This fund receives motor vehicle license tax money to pay for constructing, maintaining, and repairing Township roads

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.

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, 2010 and 2009

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 2010 and 2009 budgetary activity appears in Note 3.

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

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.

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:

	2010		2009
Demand Deposits	\$ 263,995	\$	233,914
Certificates of Deposits	55,259		51,741
Total Deposits	\$ 319,254	\$	285,655

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

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 121,649	\$ 93,308	\$ (28,341)
Special Revenue	420,891	206,490	(214,401)
Capital Projects	119	-	(119)
Permanent	83,332	3,746	(79,586)
	<u>\$ 625,991</u>	<u>\$ 303,544</u>	<u>\$ (322,447)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 72,331	\$ 76,501	\$ (4,170)
Special Revenue	420,891	188,152	232,739
Capital Projects	119	119	-
Permanent	8,898	5,173	3,725
	<u>\$ 502,239</u>	<u>\$ 269,945</u>	<u>\$ 232,294</u>

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 107,491	\$ 61,389	\$ (46,102)
Special Revenue	381,518	224,957	(156,561)
Capital Projects	79,516	-	(79,516)
Permanent	80,917	2,412	(78,505)
	<u>\$ 649,442</u>	<u>\$ 288,758</u>	<u>\$ (360,684)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 103,825	\$ 98,904	\$ 4,921
Special Revenue	381,518	180,345	201,173
Capital Projects	79,516	43,980	35,536
Permanent	3,000	48	2,952
	<u>\$ 567,859</u>	<u>\$ 323,277</u>	<u>\$ 244,582</u>

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 3 – Budgetary Activity – (continued)

Contrary to Ohio law, appropriations exceeded actual available resources by \$5,729 in the Gasoline Tax – Special Revenue Fund, by \$227 in the Road and Bridge – Special Revenue Fund, by \$1,710 in the Fire District – Special Revenue Fund, and by \$35,418 in the Building and Equipment – Capital Projects fund at December 31, 2009. In addition, appropriations exceeded actual available resources by \$279 in the Motor Vehicle License Tax – Special Revenue Fund, by \$12,100 in the Gasoline Tax – Special Revenue Fund, by \$328 in the Maplewood Lighting Assessment – Special Revenue Fund, and by \$11,799 in the Fire District – Special Revenue Fund at December 31, 2010. Contrary to Ohio law, expenditures exceeded appropriations in the General Fund by \$4,170 in 2010.

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 2010 and 2009, OPERS members contributed 10 percent of their gross salary. The Township contributed an amount equal to 14 percent of participants' gross salaries. The Township has paid all required contributions through December 31, 2010.

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

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.

For January 1, 2009 through May 13, 2010, the Township belonged 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, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 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 township.

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, 2009 and 2008 (the latest information available):

	<u>2009</u>		<u>2008</u>
Assets	\$ 38,983,088	\$	40,737,740
Liabilities	(12,880,766)		(12,981,818)
Retained Earnings	\$ 26,102,322	\$	27,755,922

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 6 - Risk Management – (continued)

At December 31, 2009 and 2008, respectively, liabilities noted above include approximately \$12.0 million and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million and \$10.9 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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.

The Townships contributions paid to OTARMA for the past three years are as follows:

Township Contributions to <u>OTARMA</u>	
2007	\$3,753
2008	3,592
2009	3,135

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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. Salem Township withdrew from OTARMA effective May 13, 2010.

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 6 - Risk Management – (continued)

Ohio Plan Risk Management Inc.

Effective May 13, 2010, the Township contracted with the Ohio Plan Risk Management Inc., for the following coverages:

Summary of coverage in effect at December 31, 2010:

Property	\$ 206,557	\$ 500
General Liability		
Each Occurrence	\$ 2,000,000	\$ -
Aggregate	\$ 4,000,000	\$ -
Public Officials Liability		
Each Occurrence	\$ 2,000,000	\$ -
Aggregate	\$ 4,000,000	\$ -
Inland Marine	\$ 70,627	\$ 500
Crime - Public Employee Dishonesty	\$ 5,000	\$ -
Auto		
Combined Liability	\$ 2,000,000	\$ -
Uninsured Motorist	\$ 50,000	\$ -
Underinsured Motorist	\$ 50,000	\$ -

Settled claims have not exceeded coverage in any of the past three years, and there has not been any significant reduction on coverage from year to year.

Note 7 - Compliance

Contrary to Ohio Revised Code §505.24(C), Township Trustees' salaries were not properly allocated to funds based on time spent on matters related to services rendered. An adjustment has been posted to reflect their salaries from the funds as documented by time and service records for 2009 and 2010.

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Steven D. Hooker, CPA • John E. Klay, CPA

July 20, 2011

**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, 2010 and 2009, and have issued our report thereon dated July 20, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Government Auditing Standards.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting that we consider a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-002 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-001 described in accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether Salem Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under Government Auditing Standards which are described in the accompanying schedule of findings as item 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 20, 2011.

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

We intend this report solely for the information and use of 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 ...". The signature is written in a cursive style.

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS
December 31, 2010 and 2009

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2010-001 – Noncompliance Citation and Significant Deficiency

Ohio Revised Code Section 5705.36(A)(4) 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. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources of the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

Estimated resources were greater than actual receipts in several of the Township funds for 2009 and 2010. The amount of the deficiency in each fund reduced the actual available resources below the appropriations for the fund. The amounts by which appropriations were greater than available resources are as follows:

Fund Type/Fund	<u>2010</u>	<u>2009</u>
Special Revenue Funds:		
Motor Vehicle License Tax	\$ 279	\$ 227
Maplewood Lighting Assessment	328	-
Gasoline Tax	12,100	5,729
Fire District	11,799	1,710
Capital Projects Fund:		
Building & Equipment	-	35,418

Actual receipts should be compared to budgeted receipts on a periodic basis to monitor for significant variances. Amended certificates should be requested from the County Budget Commission when it becomes apparent that actual receipts are going to be significantly less than estimated receipts, and the deficiency in receipts will fall below the appropriation level for the fund. This analysis should also encompass a comparison of appropriations versus available resources after amendment.

Township Response – The Fiscal Officer will more closely monitor this in the future.

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS
December 31, 2010 and 2009

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2010 – 002 – Noncompliance Citation and Material Weakness

Ohio Revised Code §505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This Section required that compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 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. 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 trustee paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

For 2009, there was not enough documentation maintained by the three Trustees and therefore, all salaries should have been paid from the General Fund. For 2010, the documentation provided would support 20% of salaries being paid from the Gas Tax Fund and the remainder should be paid from the General Fund.

For 2009, \$6,753 of the Trustees' salaries was originally posted to the Gas Tax Fund and should have been paid out of the General Fund according to the documentation presented for audit. In addition, for 2010, \$15,143 of the Trustees' salaries should have been paid out of the General Fund instead of from the Gas Tax Fund according to the documentation presented for audit. The Township Fiscal Officer has posted these adjustments in the Township records and these adjustments are reflected in the accompanying financial statements.

We recommend that the Township Trustees' salaries be paid in accordance with detailed documentation of how they spent their time.

Township Response – The Fiscal Officer and the Trustees have a better understanding of this requirement and will work to correct this in the future.

SALEM TOWNSHIP
SHELBY COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2010 and 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-001	Appropriations in excess of available resources	No	Repeated as Comment 2010-001
2008-002	Issue I Grant not recorded by Township	Yes	No Issue I Grants received by the Township in 2009 or 2010

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Dave Yost • 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
NOVEMBER 10, 2011**