



Mary Taylor, CPA  
Auditor of State



**SALEM TOWNSHIP  
WARREN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings .....	17
Schedule of Prior Audit Findings .....	19

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Mary Taylor, CPA  
Auditor of State

Salem Township  
Warren County  
PO Box 171  
Morrow, Ohio 45152

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

October 14, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Salem Township  
Warren County  
PO Box 171  
Morrow, Ohio 45152

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 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, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Salem Township, Warren County, as of December 31, 2008 and 2007, 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 14, 2009, 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 14, 2009

**SALEM TOWNSHIP  
WARREN COUNTY**

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

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$100,738	\$914,933	\$0	\$0	\$1,015,671
Charges for Services	0	160,570	0	0	160,570
Licenses, Permits, and Fees	0	19,168	0	0	19,168
Intergovernmental	116,924	297,496	0	0	414,420
Special Assessments	0	4,387	0	0	4,387
Earnings on Investments	28,772	7,475	0	2,376	38,623
Miscellaneous	7,538	36,579	0	0	44,117
	<u>253,972</u>	<u>1,440,608</u>	<u>0</u>	<u>2,376</u>	<u>1,696,956</u>
Total Cash Receipts					
<b>Cash Disbursements:</b>					
Current:					
General Government	182,359	25,514	0	0	207,873
Public Safety	455	529,123	0	0	529,578
Public Works	3,330	139,729	0	0	143,059
Health	34,526	21,898	0	0	56,424
Human Services	0	123,392	0	0	123,392
Supplies and Materials	0	0	0	1,270	1,270
Other	0	240	0	0	240
Capital Outlay	300	305,336	0	0	305,636
Debt Service:					
Redemption of Principal	0	0	63,000	0	63,000
Interest and Other Fiscal Charges	0	0	24,637	0	24,637
	<u>220,970</u>	<u>1,145,232</u>	<u>87,637</u>	<u>1,270</u>	<u>1,455,109</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>33,002</u>	<u>295,376</u>	<u>(87,637)</u>	<u>1,106</u>	<u>241,847</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Sale of Fixed Assets	0	7,025	0	0	7,025
Transfers-In	0	0	87,637	0	87,637
Transfers-Out	0	(87,637)	0	0	(87,637)
Other Financing Sources	185	0	0	0	185
	<u>185</u>	<u>(80,612)</u>	<u>87,637</u>	<u>0</u>	<u>7,210</u>
Total Other Financing Receipts / (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	33,187	214,764	0	1,106	249,057
Fund Cash Balances, January 1	521,620	815,962	0	44,450	1,382,032
<b>Fund Cash Balances, December 31</b>	<u><u>\$554,807</u></u>	<u><u>\$1,030,726</u></u>	<u><u>\$0</u></u>	<u><u>\$45,556</u></u>	<u><u>\$1,631,089</u></u>

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

**SALEM TOWNSHIP  
WARREN COUNTY**

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

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$95,085	\$582,968	\$0	\$0	\$678,053
Charges for Services	5,175	142,686	0	0	147,861
Licenses, Permits, and Fees	6,915	21,350	0	0	28,265
Intergovernmental	236,053	185,433	0	0	421,486
Special Assessments	0	4,013	0	0	4,013
Earnings on Investments	42,769	15,349	0	1,683	59,801
Miscellaneous	212	46,291	0	0	46,503
<b>Total Cash Receipts</b>	<u>386,209</u>	<u>998,090</u>	<u>0</u>	<u>1,683</u>	<u>1,385,982</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	159,405	17,991	0	0	177,396
Public Safety	456	475,785	0	0	476,241
Public Works	2,755	166,168	0	0	168,923
Health	23,027	31,834	0	0	54,861
Human Services	0	94,347	0	0	94,347
Supplies and Materials	0	0	0	1,365	1,365
Other	0	1,081	0	0	1,081
Capital Outlay	0	150,329	0	0	150,329
Debt Service:					
Redemption of Principal	0	0	60,000	0	60,000
Interest and Other Fiscal Charges	0	0	27,755	0	27,755
<b>Total Cash Disbursements</b>	<u>185,643</u>	<u>937,535</u>	<u>87,755</u>	<u>1,365</u>	<u>1,212,298</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>200,566</u>	<u>60,555</u>	<u>(87,755)</u>	<u>318</u>	<u>173,684</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-In	0	0	87,755	0	87,755
Transfers-Out	0	(87,755)	0	0	(87,755)
Other Financing Sources	1,153	16,800	0	0	17,953
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>1,153</u>	<u>(70,955)</u>	<u>87,755</u>	<u>0</u>	<u>17,953</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements</b>	201,719	(10,400)	0	318	191,637
<b>Fund Cash Balances, January 1</b>	<u>319,901</u>	<u>826,362</u>	<u>0</u>	<u>44,132</u>	<u>1,190,395</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$521,620</b></u>	<u><b>\$815,962</b></u>	<u><b>\$0</b></u>	<u><b>\$44,450</b></u>	<u><b>\$1,382,032</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$1,101</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$1,101</b></u>

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

**SALEM TOWNSHIP  
WARREN COUNTY**

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

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Salem Township, Warren County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township participates in 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. Note 7 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**D. Fund Accounting**

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

**1. General Fund**

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

**SALEM TOWNSHIP  
WARREN COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**2. Special Revenue Funds**

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

Fire District Fund - This fund receives fire levy tax proceeds to provide fire protection services.

**3. Debt Service Funds**

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

General Bond Retirement Fund – This fund accounts for resources the Township accumulates to pay bond and note debt.

**4. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**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. Unencumbered appropriations lapse at year end.

**2. 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.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

**SALEM TOWNSHIP  
WARREN COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

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

**2. Equity in Pooled Deposits and Investments**

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

	2008	2007
Demand deposits	\$378,558	\$352,202
Certificates of deposit	343,500	143,500
Total deposits	722,058	495,702
STAR Ohio	909,032	886,331
Total deposits and investments	\$1,631,090	\$1,382,033

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

**Investments:** Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**3. Budgetary Activity**

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

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$283,374	\$254,157	(\$29,217)
Special Revenue	993,350	1,447,633	454,283
Debt Service	88,897	87,637	(1,260)
Permanent	1,300	2,376	1,076
Total	\$1,366,921	\$1,791,803	\$424,882

**SALEM TOWNSHIP  
WARREN COUNTY**

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

**3. Budgetary Activity (Continued)**

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$753,893	\$220,970	\$532,923
Special Revenue	2,221,007	1,232,869	988,138
Debt Service	87,637	87,637	0
Permanent	3,221	1,270	1,951
Total	<u>\$3,065,758</u>	<u>\$1,542,746</u>	<u>\$1,523,012</u>

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$374,705	\$387,362	\$12,657
Special Revenue	962,312	1,014,890	52,578
Debt Service	87,755	87,755	0
Permanent	1,680	1,683	3
Total	<u>\$1,426,452</u>	<u>\$1,491,690</u>	<u>\$65,238</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$694,606	\$186,744	\$507,862
Special Revenue	1,788,673	1,025,290	763,383
Debt Service	87,755	87,755	0
Permanent	2,313	1,365	948
Total	<u>\$2,573,347</u>	<u>\$1,301,154</u>	<u>\$1,272,193</u>

Contrary to Ohio law, appropriation authority exceeded estimated resources in the Fire fund by \$83,354 and in the Fire Levy fund by \$354,231 for the year ended December 31, 2008.

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

**SALEM TOWNSHIP  
WARREN COUNTY**

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

**4. Property Tax (Continued)**

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, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Real Estate Acquisition Notes	\$60,000	4.2%
Fire Truck Acquisition Notes	337,000	5.9%
Total	<u>\$397,000</u>	

The Township issued general obligation notes in 2005 to finance the purchase of land for a new firehouse. In 2006, the Township issued general obligation notes to finance the purchase of a new fire truck. The Township's taxing authority collateralized the bonds.

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

Year ending December 31:	<u>Real Estate Acquisition Notes</u>	<u>Fire Truck Acquisition Notes</u>
2009	\$32,520	\$52,880
2010	31,260	52,815
2011		53,603
2012		52,272
2013		52,824
2014-2018		158,128
Total	<u>\$63,780</u>	<u>\$422,522</u>

**6. Retirement Systems**

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**SALEM TOWNSHIP  
WARREN COUNTY**

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

**7. Risk Management**

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

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

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

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

**SALEM TOWNSHIP  
WARREN COUNTY**

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

**7. Risk Management (Continued)**

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$23,426. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<b><u>Contributions to OTARMA</u></b>	
2006	\$30,396
2007	\$23,289
2008	\$24,921

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

**SALEM TOWNSHIP  
WARREN COUNTY**

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

**8. Subsequent Events**

On February 24, 2009 the Township passed a resolution authorizing the issuance and sale of \$2,450,000 in notes for the purpose of constructing a new firehouse. The notes will be paid over 25 years at a 6% interest rate.



# Mary Taylor, CPA

Auditor of State

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

Salem Township  
Warren County  
PO Box 171  
Morrow, Ohio 45152

To the Township Board of Trustees:

We have audited the financial statements of the Salem Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated October 14, 2009, 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 the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the Township's management in a separate letter dated October 14, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated October 14, 2009.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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



**Mary Taylor, CPA**  
Auditor of State

October 14, 2009

SALEM TOWNSHIP  
WARREN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.39, states that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure therefrom as certified by the county budget commission. Appropriations exceeded the total estimated revenue as follows:

Fund	Year	Estimated Rev.	Appropriations	Variance
Fire Fund	2008	\$777,795	\$861,149	\$(83,354)
Fire Levy Fund	2008	1,632	355,863	(354,231)

Failure to comply with the above Ohio Revised Code Section resulted in the Township appropriating more funds than they expected to have available. This practice could result in negative fund balances due to spending more funds than are available. We recommend the Township compare estimated revenue per the amended certificate with appropriations before making any modifications to these official documents.

Officials' Response:

A letter to the Warren County Auditor was sent on November 17, 2008 requesting an amended certificate for FY 2008. The Fiscal Officer called the County Auditor's office to inquire about the status of the amended certificate in December 2008. She was told that the County would issue the end of year certificate, which is actually the beginning certificate for FY 2009. The Fiscal Officer was aware of the balances in the funds at all times, as she monitors them through the use of a compliance worksheet. The two funds in question were not overspent.

In an effort to be sure that this does not happen again, the Fiscal Officer is sending her request for an amended certificate for FY 2009 to the County Auditor immediately.

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**SALEM TOWNSHIP  
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Receipts not properly posted.	No	Partially Corrected; moved to management letter.
2006-002	ORC 5705.41(D) – not properly encumbering.	Yes	





**Mary Taylor, CPA**  
Auditor of State

**SALEM TOWNSHIP**

**WARREN 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 5, 2009**