

**SALEM TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

*Financial Statements*  
(Audited)

For The Years Ended  
December 31, 2005 and 2004

**MS. PAT MCMICHAEL, FISCAL OFFICER**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Salem Township  
05683 State Route 197  
Wapakoneta, Ohio 45895

We have reviewed the *Independent Auditors' Report* of the Salem Township, Auglaize County, prepared by Julian and Grube, Inc., for the audit period January 1, 2004 through December 31, 2005. 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 Auditors' 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 Auditors' 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. The Salem Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

July 11, 2006

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**SALEM TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditors' Report**

Board of Trustees  
Salem Township, Auglaize County  
05683 St. Rte.197  
Wapakoneta, OH 45895

We have audited the accompanying financial statements of Salem Township, Auglaize County, as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of Salem 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 2, Salem 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.

Revisions to GAAP would require Salem Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While Salem Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. Salem Township has elected not to reformat its statements. Since Salem Township does not use GAAP to measure financial statement amounts, 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, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Salem Township as of December 31, 2005 and 2004, 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 cash fund balances of Salem Township, Auglaize County, Ohio as of December 31, 2005 and 2004, and its combined cash receipts and disbursements and combined budgeted and actual receipts and budgeted and actual disbursements for the years then ended on the basis of accounting described in Note 2.

Independent Auditors' Report  
Salem Township  
Page 2

The aforementioned revision to generally accepted accounting principles also requires Salem Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. Salem 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 June 22, 2006, on our consideration of Salem 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 "Julian & Grube, Inc.".

Julian & Grube, Inc.  
June 22, 2006

**SALEM TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2005 AND 2004

<u>Cash and Cash Equivalents</u>	2005	2004
Cash and Cash Equivalents	\$ 178,037	\$ 155,900
Total Cash and Cash Equivalents	\$ 178,037	\$ 155,900
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General	\$ 32,227	\$ 28,131
Special Revenue	144,765	126,726
Total Governmental Fund Types	176,992	154,857
 <u>Fiduciary Fund Types:</u>		
Nonexpendable Trust	1,045	1,043
Total Fund Balances	\$ 178,037	\$ 155,900

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SALEM TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash receipts:			
Local taxes	\$ 16,089	\$ 4,469	\$ 20,558
Intergovernmental	32,651	91,242	123,893
Fines, licenses, and permits	-	2,600	2,600
Interest	84	175	259
Miscellaneous	2,452	20	2,472
Total cash receipts	<u>51,276</u>	<u>98,506</u>	<u>149,782</u>
Cash disbursements:			
Current:			
General government	33,490	-	33,490
Public safety	12,601	-	12,601
Public works	-	39,728	39,728
Health	2,292	5,780	8,072
Capital outlay	297	34,959	35,256
Total cash disbursements	<u>48,680</u>	<u>80,467</u>	<u>129,147</u>
Total cash receipts over cash disbursements	2,596	18,039	20,635
Other financing receipts:			
Proceeds from sale of capital assets	1,500	-	1,500
Total other financing receipts	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Excess of cash receipts and other financing receipts over cash disbursements	4,096	18,039	22,135
Cash fund balances, January 1, 2005	<u>28,131</u>	<u>126,726</u>	<u>154,857</u>
Cash fund balances, December 31, 2005	<u>\$ 32,227</u>	<u>\$ 144,765</u>	<u>\$ 176,992</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SALEM TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH  
FUND BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Fiduciary Fund Type
	Nonexpendable Trust
Operating cash receipts:	
Interest	\$ 2
Total operating cash receipts	2
Net cash receipts over cash disbursements	2
Cash fund balances, January 1, 2005	1,043
Cash fund balances, December 31, 2005	\$ 1,045

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SALEM TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2005

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2005 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements	Encumbrances Outstanding at 12/31/05	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 28,131	\$ 39,067	\$ 67,198	\$ 52,776	\$ 13,709	\$ -	\$ 67,198	\$ 67,198	\$ 48,680	\$ -	\$ 48,680	\$ 18,518
Special Revenue	126,726	76,369	203,095	98,506	22,137	-	208,807	208,807	80,467	-	80,467	128,340
Fiduciary:												
Nonexpendable	1,043	-	1,043	2	2	-	1,043	1,043	-	-	-	1,043
Total												
(Memorandum Only)	\$ 155,900	\$ 115,436	\$ 271,336	\$ 151,284	\$ 35,848	\$ -	\$ 277,048	\$ 277,048	\$ 129,147	\$ -	\$ 129,147	\$ 147,901

**SALEM TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 15,907	\$ 4,419	\$ 20,326
Intergovernmental	24,328	81,915	106,243
Fines, licenses, and permits	-	2,950	2,950
Interest	101	166	267
Miscellaneous	1,237	-	1,237
Total cash receipts	<u>41,573</u>	<u>89,450</u>	<u>131,023</u>
Cash disbursements:			
Current:			
General government	38,138	-	38,138
Public safety	11,319	-	11,319
Public works	-	51,596	51,596
Health	7,042	1,919	8,961
Capital outlay	494	-	494
Total cash disbursements	<u>56,993</u>	<u>53,515</u>	<u>110,508</u>
Total cash receipts over/(under) cash disbursements	(15,420)	35,935	20,515
Cash fund balances, January 1, 2004	<u>43,551</u>	<u>90,791</u>	<u>134,342</u>
Cash fund balances, December 31, 2004	<u>\$ 28,131</u>	<u>\$ 126,726</u>	<u>\$ 154,857</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SALEM TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH  
FUND BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Fiduciary Fund Type
	Nonexpendable Trust
Operating cash receipts:	
Interest	\$ 2
Total operating cash receipts	2
Net cash receipts over cash disbursements	2
Cash fund balances, January 1, 2004	1,041
Cash fund balances, December 31, 2004	\$ 1,043

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SALEM TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2004

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	(Restated) Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 43,551	\$ 38,573	\$ 82,124	\$ 41,573	\$ 3,000	\$ -	\$ 82,124	\$ 82,124	\$ 56,993	\$ -	\$ 56,993	\$ 25,131
Special Revenue	85,091	62,582	147,673	89,450	26,868	5,700	147,672	153,372	53,515	-	53,515	99,857
Fiduciary:												
Nonexpendable	1,041	-	1,041	2	2	-	1,041	1,041	-	-	-	1,041
Total (Memorandum Only)	<u>\$ 129,683</u>	<u>\$ 101,155</u>	<u>\$ 230,838</u>	<u>\$ 131,025</u>	<u>\$ 29,870</u>	<u>\$ 5,700</u>	<u>\$ 230,837</u>	<u>\$ 236,537</u>	<u>\$ 110,508</u>	<u>\$ -</u>	<u>\$ 110,508</u>	<u>\$ 126,029</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SALEM TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**NOTE 1 - DESCRIPTION OF THE ENTITY**

Salem Township (the "Township") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Township is directed by a publicly-elected three member Board of Trustees. The Township provides general governmental services, including road maintenance, emergency medical services, fire protection and cemetery maintenance. The Township contracts with Mendon Union and Village of Buckland Fire departments and Spencerville Ambulance Service to provide fire protection and emergency medical services.

Management believes the financial statements included in this report represent all of the funds of the Township over which the Township is financially accountable.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant of the Township's accounting policies are described below.

**A. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounts of the Township are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Township.

**GOVERNMENTAL FUNDS**

**General Fund**

The general fund is used to account for all activities of the Township not required to be included in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds**

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

**SALEM TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The Township had the following significant Special Revenue Fund:

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

Fiduciary Funds

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Township had the following Nonexpendable Trust Fund:

*Trust Cemetery Bequest Fund* - This fund is used to account for resources restricted by legally binding trust agreements. The agreement requires the Township to maintain the corpus of the trust and the fund is classified as a nonexpendable trust fund.

**B. BASIS OF ACCOUNTING**

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

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

**SALEM TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Township's Board of Trustees.

*Tax Budget:*

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates. The Auglaize County Budget Commission waived the requirement for filing a tax budget for 2005 and 2004.

*Estimated Resources:*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Township by September 1. As part of this certification, the Township receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Township determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Township must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**SALEM TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Township legally adopted supplemental appropriations during 2005 and 2004.

*Encumbrances:*

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. There were no outstanding encumbrances at December 31, 2005 or 2004.

**D. CASH AND INVESTMENTS**

For reporting purposes, the Township considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Township with a maturity date less than or equal to three months from the date of purchase. Interest earned on investments held by the Township is credited to the respective funds. Interest income earned and received by the Township totaled \$261 and \$269 for the years ended December 31, 2005 and 2004, respectively.

**E. PROPERTY, PLANT AND EQUIPMENT**

Capital assets are not capitalized in any of the Township's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

**SALEM TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Township's cash basis method of accounting.

**G. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

**NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2005	2004
Deposits: Demand deposits	\$ 5,100	\$ 5,100
Investments: Money market	172,937	150,800
Total deposits and investments	\$ 178,037	\$ 155,900

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**Investments:** Investments in money markets are not endorsed by securities that exist in physical or book-entry form.

**NOTE 4 - COMPLIANCE**

In noncompliance with Ohio Revised Code Section 5705.39, the following fund had appropriations in excess of estimated resources for the year ended December 31, 2005:

Fund Type/Fund	Excess
Special Revenue Fund:	
FEMA	\$ 5,712

**SALEM TOWNSHIP**  
**AUGLAIZE COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**NOTE 5 - PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**NOTE 6 - RETIREMENT SYSTEM**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, members of OPERS contribute 8.5% of their gross salaries. The Township contributes an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2005 and 2004.

**NOTE 7 - RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty insurance 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 judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**SALEM TOWNSHIP**  
**AUGLAIZE COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**NOTE 7 - RISK MANAGEMENT - (Continued)**

Casualty Coverage

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

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

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003, which is the latest available data:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 30,687,203	\$ 27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained earnings	<u>\$ 17,046,241</u>	<u>\$ 16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 7,799,073	\$ 6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained earnings	<u>\$ 7,045,167</u>	<u>\$ 6,040,104</u>

**SALEM TOWNSHIP**  
**AUGLAIZE COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**NOTE 8 - CONTINGENT LIABILITY**

LITIGATION

The Township is currently not involved in any litigation



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Trustees  
Salem Township, Auglaize County  
05683 St. Rte.197  
Wapakoneta, OH 45895

We have audited the financial statements of Salem Township (the “Township”), Auglaize County, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 22, 2006, wherein we noted Salem 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 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 Salem Township’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial condition that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Salem Township in a separate letter dated June 22, 2006.

Board of Trustees  
Salem Township, Auglaize County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2004-ST-001. We also noted certain matters that we reported to the management of Salem Township in a separate letter dated June 22, 2006.

This report is intended solely for the information of Salem Township's Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
June 22, 2006

**SALEM TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
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Finding Number	2004-ST-001
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Ohio Revised Code Section 5705.39 requires that the total appropriation from each fund should not exceed total estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources for the year ended December 31, 2005 as follows:

<u>Fund Type/Fund</u>	<u>Excess</u>
Special Revenue Fund:	
FEMA	\$ 5,712

With appropriations exceeding estimated resources, the Township is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the Township comply with the Ohio Revised Code by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client response:

The Township Fiscal Officer is attempting to request additional amended certificates when notified of additional monies received prior to appropriation.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**SALEM TOWNSHIP**

**AUGLAIZE 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  
JULY 25, 2006**