



Dave Yost • Auditor of State

**SALEM TOWNSHIP
WASHINGTON COUNTY**

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Dave Yost • Auditor of State

Salem Township
Washington County
P.O. Box 56
Lower Salem, Ohio 45745

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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 18, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Salem Township
Washington County
P.O. Box 56
Lower Salem, Ohio 45745

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Washington County, Ohio (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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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.

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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, 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 of Salem Township, Washington County, Ohio, 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 August 18, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 18, 2011

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**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 (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:						
Property and Other Local Taxes	\$ 19,120	\$ 53,949	\$	\$	\$	\$ 73,069
Licenses, Permits, and Fees		1,925				1,925
Intergovernmental	35,956	141,013				176,969
Earnings on Investments	135	109				244
Miscellaneous	420	10,688				11,108
Total Cash Receipts	<u>55,631</u>	<u>207,684</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>263,315</u>
Cash Disbursements:						
Current:						
General Government	35,065	52,897				87,962
Public Safety	2,852	17,119				19,971
Public Works	5,412	112,510				117,922
Health	6,931	819				7,750
Capital Outlay		13,875				13,875
Debt Service:						
Redemption of Principal		11,310				11,310
Interest and Other Fiscal Charges		2,545				2,545
Total Cash Disbursements	<u>50,260</u>	<u>211,075</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>261,335</u>
Total Cash Receipts Over/(Under) Cash Disbursements	5,371	(3,391)	0	0	0	1,980
Fund Cash Balances, January 1	<u>34,808</u>	<u>93,556</u>	<u>(4,718)</u>	<u>10,947</u>	<u>(53)</u>	<u>134,540</u>
Fund Cash Balances, December 31	<u>\$ 40,179</u>	<u>\$ 90,165</u>	<u>\$ (4,718)</u>	<u>\$ 10,947</u>	<u>\$ (53)</u>	<u>\$ 136,520</u>

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

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**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 (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:						
Property and Other Local Taxes	\$ 19,605	\$ 44,751	\$	\$	\$	\$ 64,356
Charges for Services	1,400					1,400
Licenses, Permits, and Fees		2,325				2,325
Intergovernmental	38,755	151,634				190,389
Earnings on Investments	150	100				250
Miscellaneous		10,114				10,114
	<u>59,910</u>	<u>208,924</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>268,834</u>
Cash Disbursements:						
Current:						
General Government	40,904	49,516				90,420
Public Safety		17,025				17,025
Public Works	3,473	105,627				109,100
Health	3,290	7,048				10,338
Capital Outlay		30,337		5,691		36,028
Debt Service:						
Redemption of Principal		10,832				10,832
Interest and Other Fiscal Charges		3,023				3,023
	<u>47,667</u>	<u>223,408</u>	<u>0</u>	<u>5,691</u>	<u>0</u>	<u>276,766</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>12,243</u>	<u>(14,484)</u>	<u>0</u>	<u>(5,691)</u>	<u>0</u>	<u>(7,932)</u>
Other Financing Receipts / (Disbursements):						
Other Financing Sources	<u>3,860</u>	<u>3,900</u>		<u>4,050</u>		<u>11,810</u>
Total Other Financing Receipts / (Disbursements)	<u>3,860</u>	<u>3,900</u>	<u>0</u>	<u>4,050</u>	<u>0</u>	<u>11,810</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	16,103	(10,584)	0	(1,641)	0	3,878
Fund Cash Balances, January 1	<u>18,705</u>	<u>104,140</u>	<u>(4,718)</u>	<u>12,588</u>	<u>(53)</u>	<u>130,662</u>
Fund Cash Balances, December 31	<u>\$ 34,808</u>	<u>\$ 93,556</u>	<u>\$ (4,718)</u>	<u>\$ 10,947</u>	<u>\$ (53)</u>	<u>\$ 134,540</u>

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

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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, Washington County (the Township), as a body corporate and politic. 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'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. 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.

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:

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

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:

Debt Retirement Fund – This fund had no activity during this audit period but has a negative balance from the previous audit period.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

4. Capital Project Funds

These funds 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:

Capital Projects - FEMA - The Township received FEMA money for a road construction project.

Capital Projects – Special Assessment - This fund received insurance proceeds from a Township building fire, and the proceeds were used to reconstruct the building.

5. 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:

Permanent Fund – This fund had no activity during this audit period but has a negative balance from previous audit period.

D. 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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. 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.

F. 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

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

	2010	2009
Demand deposits	\$136,520	\$134,540

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

3. Budgetary Activity

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

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$120,883	\$55,631	(\$65,252)
Special Revenue	78,690	207,684	128,994
Total	\$199,573	\$263,315	\$63,742

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$217,241	\$50,260	\$166,981
Special Revenue	138,822	211,075	(72,253)
Total	\$356,063	\$261,335	\$94,728

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$18,475	\$63,770	\$45,295
Special Revenue	101,158	212,824	111,666
Capital Projects	0	4,050	4,050
Total	\$119,633	\$280,644	\$161,011

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$17,523	\$47,667	(\$30,144)
Special Revenue	112,200	223,408	(111,208)
Capital Projects	43,144	5,691	37,453
Debt Service	14,000	0	14,000
Total	\$186,867	\$276,766	(\$89,899)

Contrary to Ohio law, for the year ended December 31, 2010, appropriations exceeded actual resources in the General Fund, Motor Vehicle License Tax and Cemetery funds by \$126,802, \$2,927 and \$22,883, respectively. For the year ended December 31, 2009, appropriations exceeded actual resources in the Motor Vehicle License Tax, Cemetery, Special Assessment and Debt Retirement funds by \$14,070, \$17,508, \$28,648 and \$18,718, respectively.

Also contrary to Ohio law, for the year ended December 31, 2010, appropriations exceeded estimated resources in the General, Motor Vehicle License Tax and Cemetery funds by \$61,550, \$18,621 and \$25,051, respectively. For the year ended December 31, 2009, appropriations exceeded estimated resources in the Motor Vehicle License Tax, Road and Bridge, Cemetery, Special Assessment and Debt Retirement funds by \$29,724, \$9,362, \$27,643, \$32,698 and \$18,718, respectively.

Also contrary to Ohio law, for the year ended December 31, 2010, expenditures exceeded appropriation authority in the Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Special Levy, and Permissive Sales Tax funds by \$19,489, \$26,564, \$9,732, \$7,475 and \$22,368, respectively. For the year ended December 31, 2009, expenditures exceeded appropriations in the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Cemetery, Special Levy, and Permissive Sales Tax funds by \$30,144, \$2,801, \$65,224, \$196, \$1,348, \$7,382, and \$34,258, respectively.

Also contrary to Ohio law, at December 31, 2010, the Motor Vehicle License Tax, Road and Bridge, Cemetery, Permissive Sales Tax, Debt Retirement, and Permanent funds had a cash deficit balance of \$22,416, \$4,657, \$9,508, \$1,930, \$4,718, and \$53, respectively. At December 31, 2009, the Motor Vehicle License Tax, Cemetery, Permissive Sales Tax, Debt Retirement, and Permanent funds had a cash deficit balance of \$16,871, \$18,857, \$1,930, \$4,718, and \$53, respectively.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

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.

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

5. Debt

	Principal	Interest Rate
Mini Pumper Loan	\$50,335	4%
Total	\$50,335	

The Township was issued a loan in 2004 for use towards the purchase of a new fire truck. This loan is paid in annual payments of \$13,855, including interest at a rate of 4.13% for 10 years. The loan is collateralized by the fire truck.

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

Year ending December 31:	Mini Pumper Loan
2011	\$13,854
2012	13,854
2013	13,854
2014	14,034
Total	\$55,596

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



Dave Yost • 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
Washington County
P.O. Box 56
Lower Salem, Ohio 45745

To the Board of Trustees:

We have audited the financial statements of Salem Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated August 18, 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 also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

Our consideration of 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-006 through 2010-008 described in the accompanying Schedule of Findings to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2010-001 through 2010-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 18, 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, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

August 18, 2011

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF 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

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover expenses of another fund.

At December 31, 2010, the following funds had negative fund balances after adjustments were made:

Fund	Fund Balance
Motor Vehicle License Tax	(\$22,416)
Road and Bridge	(4,657)
Cemetery	(9,508)
Permissive Sales Tax	(1,930)
Debt Retirement	(4,718)
Permanent	(53)

At December 31, 2009, the following funds had negative fund balances after adjustments were made:

Fund	Fund Balance
Motor Vehicle License Tax	(\$16,871)
Cemetery	(18,857)
Permissive Sales Tax	(1,930)
Debt Retirement	(4,718)
Permanent	(53)

We recommend the Fiscal Officer and Trustees monitor fund activity throughout the year to help prevent future expenditures from exceeding available resources, thus resulting in a cash flow problem.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

FINDING NUMBER 2010-002

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate upon determination by the fiscal officer that revenue to be collected will be less than the amount in the official certificate of estimated resources and if the amount of the deficiency will reduce available resources below the current level of appropriation.

At December 31, 2010, approved appropriations exceeded actual resources as follows:

Fund	Actual Resources	Approved Appropriations	Variance
General	\$90,439	\$217,242	(\$126,802)
Motor Vehicle License Tax	1,822	4,749	(2,927)
Cemetery	(8,689)	14,194	(22,883)

At December 31, 2009, approved appropriations exceeded actual resources as follows:

Fund	Actual Resources	Approved Appropriations	Variance
Motor Vehicle License Tax	\$6,680	\$20,750	(\$14,070)
Cemetery	(11,808)	5,700	(17,508)
Special Assessment	14,496	43,144	(28,648)
Debt Retirement	(4,718)	14,000	(18,718)

This could cause the Township to spend more money than was available.

We recommend the Township monitor estimated and actual revenues for all funds on a regular basis. In the situation where budgeted revenue exceeds actual revenue and appropriations exceed actual revenue, a reduced amended certificate must be obtained and appropriations adjusted accordingly.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-003

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded estimated resources at December 31, 2010, in the following funds:

Fund	Estimated Resources	Approved Appropriations	Variance
General	\$155,692	\$217,242	(\$61,550)
Motor Vehicle License Tax	(13,871)	4,749	(18,621)
Cemetery	(10,857)	14,194	(25,051)

Appropriations exceeded estimated resources at December 31, 2009, in the following funds:

Fund	Estimated Resources	Approved Appropriations	Variances
Motor Vehicle License Tax	(\$8,974)	\$20,750	(\$29,724)
Road and Bridge	24,238	33,600	(9,362)
Cemetery	(21,943)	5,700	(27,463)
Special Assessment	10,446	43,144	(32,698)
Debt Retirement	(4,718)	14,000	(18,718)

This could cause the Township to spend in excess of their estimated resources.

We recommend the Fiscal Officer monitor its estimated revenue and appropriations to ensure that appropriations are within estimated resources.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated as provided in such chapter.

At December 31, 2010, expenditures exceeded appropriations, as follows:

Fund	Approved Appropriations	Expenditures	Variance
Motor Vehicle License Tax	\$4,749	\$24,238	(\$19,489)
Gasoline Tax	70,459	97,023	(26,564)
Road and Bridge	23,749	33,481	(9,732)
Special Levy	25,670	33,145	(7,475)
Permissive Sales Tax	0	22,368	(22,368)

At December 31, 2009, expenditures exceeded appropriations, as follows:

Fund	Approved Appropriations	Expenditures	Variance
General	\$17,524	\$47,667	(\$30,144)
Motor Vehicle License Tax	20,750	23,551	(2,801)
Gasoline Tax	28,000	93,224	(65,224)
Road and Bridge	33,600	33,796	(196)
Cemetery	5,700	7,048	(1,348)
Special Levy	24,150	31,532	(7,382)
Permissive Sales Tax	0	34,258	(34,258)

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Township.

We recommend the Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-005

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of Township Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-005 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

The Township did not properly certify the availability of funds prior to purchase commitment for 41% of expenditures tested for 2010 and 36% of expenditures tested for 2009. There was no evidence that the Township followed the aforementioned exceptions. Without these certifications, the management of the Township lost budgetary control over expenditures and, as more fully explained in Note 3 to the financial statements, this condition could allow noncompliance with Ohio Revised Code Section 5705.41(B) to occur.

We recommend the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used. The most convenient certification method is to use purchase orders that include certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2010-006

Material Weakness

Throughout the audit period, the Fiscal Officer did not reconcile the end of month bank balance to accurate end of the month cash balances per the Township's accounting system.

The lack of accurate and timely performance of monthly bank reconciliations resulted in numerous errors which remained undetected and uncorrected until performance of the audit. These errors resulted in material adjustments being made to the accounting system and financial statements to present accurate cash balances at year end.

We recommend the Fiscal Officer reconcile the month end bank balance to the cash balance per the accounting system on a monthly basis. We also recommend this reconciliation be reviewed and approved, as indicated by the signature of the reviewing trustee(s), by a member of the Board of Trustees.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

FINDING NUMBER 2010-007

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Township misclassified and misposted tax receipts, intergovernmental receipts, miscellaneous receipts, as well as general government, public works, public health, public safety and capital outlay disbursements, including misallocation of salaries and benefits, to the Township receipt and disbursement ledgers and to the annual financial report submitted to the Auditor of State for fiscal years 2009 and 2010.

These misstatements had the following net effect on the Township's financial statements as of December 31, 2010:

Fund	UAN Fund Balance 12/31/10	Audited Fund Balance 12/31/10	Adjustment
General	\$126,875	\$40,179	(\$86,696)
Motor Vehicle License Tax Fund	554	(22,416)	(22,970)
Gasoline Tax	34,516	71,031	36,515
Road and Bridge	7,813	(4,657)	(12,471)
Cemetery	41,306	(9,508)	(50,814)
Special Levy	90,226	57,646	(32,580)
Permissive Sales Tax	0	(1,930)	(1,930)
Debt Retirement	19,680	(4,718)	(24,398)
Special Assessment	75,827	501	(75,326)
FEMA	0	10,446	10,446
Permanent	0	(53)	(53)

These misstatements were caused by a lack of management oversight. As a result, significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

In addition, permissive sales tax revenue and expenditures in the amounts of \$32,328 for 2009 and \$22,368 for 2010 were not posted to the Township's records nor were budgetary adjustments approved for estimated resources and appropriations. As a result, receipts and disbursements were understated on the Township's records. Adjustments with which the Township's management agrees are reflected in the accompanying financial statements.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

FINDING NUMBER 2010-007 (Continued)

Material Weakness (Continued)

We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures. In addition, we recommend the Township obtain an amended certificate of estimated resources from the County Budget Commission, and the Board of Trustees approve supplemental appropriations for the permissive sales tax monies.

FINDING NUMBER 2010-008

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2010, approved appropriations did not agree to the Township's ledgers and notes to the financial statements for the following funds. The variances are as follows:

Funds	Approved Appropriations	Appropriations per System	Variance
General	\$217,242	\$44,259	\$172,983
Motor Vehicle License Tax	4,749	28,700	(23,951)
Gasoline Tax	70,459	112,287	(41,828)
Road and Bridge	23,749	31,434	(7,685)
Cemetery	14,194	0	14,194
Special Levy	25,670	32,500	(6,830)
Permissive Sales Tax	0	2,500	(2,500)
Debt Retirement	0	14,000	(14,000)
Special Assessment	0	16,017	(16,017)

At December 31, 2009, approved appropriations did not agree to the Township's ledgers and notes to the financial statement for the following funds. The variances are as follows:

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-008 (Continued)

Material Weakness (Continued)

Fund	Approved Appropriations	Appropriations per System	Variance
General	\$17,524	\$30,904	(\$13,380)
Motor Vehicle License Tax	20,750	17,494	3,257
Gasoline Tax	28,000	100,405	(72,405)
Road and Bridge	33,600	56,700	(23,100)
Cemetery	5,700	6,400	(700)
Special Levy	24,150	33,571	(9,421)

At December 31, 2010, estimated resources as approved by the Budget Commission did not agree to the Township's ledgers and notes to the financial statements for the following funds. The variances are as follows:

Fund	Approved Estimated Receipts	Estimated Receipts per System	Variance
General	\$120,883	\$18,450	\$102,433
Motor Vehicle License Tax	3,000	4,810	(1,810)
Gasoline Tax	36,000	24,025	11,975
Road and Bridge	20,020	4,807	15,214
Cemetery	8,000	6,009	1,992
Special Levy	11,670	2,015	9,655
Debt Retirement	0	18	(18)
Special Assessment	0	75	(75)

At December 31, 2009, estimated resources as approved by the Budget Commission did not agree to the Township's ledgers for the following funds. The variances are as follows:

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-008 (Continued)

Material Weakness (Continued)

Fund	Approved Estimated Receipts	Estimated Receipts per System	Variance
General	\$18,475	\$0	\$18,475
Motor Vehicle License Tax	3,000	0	3,000
Gasoline Tax	50,250	0	50,250
Road and Bridge	8,150	0	8,150
Special Levy	2,320	0	2,320
Permissive Sales	37,438	0	37,438

Due to budgetary information being improperly entered into the system, the management of the Township was not able to effectively monitor and report its budget vs. actual status throughout the year.

We recommend the Township accurately post to their accounting system estimated receipts as certified by the County Budget Commission and appropriations as approved by the Trustees. This procedure will help ensure more useful comparisons of budget vs. actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Officials' Response: The Township chose not to respond to the findings listed above.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**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; <i>Explain</i>
2008-001	Fiscal Responsibility/ Monitoring of Financial Information	No	Partially Corrected; Monitoring of Financial Information repeated in the Management Letter.
2008-002	Monthly Cash Reconciliations	No	Not Corrected; Repeated as Finding Number 2010-006.
2008-003	Non-payroll Expenditures Internal Control Weaknesses	Yes	
2008-004	Tax Receipts Posted at Net	No	Not Corrected; Repeated as Finding Number 2010-007.
2008-005	Employee Timesheets Submission and Review	Yes	
2008-006	Maintenance of Leave Records Including Accrual, Usage, and Balances	No	Not Corrected; Repeated in the Management Letter.
2008-007	Lack of Board Approved Policies and Procedures	No	Not Corrected; Repeated in the Management Letter.
2008-008	Timely and Proper Submission of Payroll Withholdings	No	Not Corrected; Repeated in the Management Letter.
2008-009	Ohio Rev. Code Section 135.12(B) – Designating Public Depositories	Yes	
2008-010	Ohio Rev. Code Section 135.22(B) – Investment Training	No	Not Corrected; Repeated in the Management Letter.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-011	Ohio Rev. Code Section 145.47 & 145.48 – Medicare and PERS Withheld at Incorrect Rate	Yes	
2008-012	Ohio Rev. Code Section 149.43(C)(1) – Public Records Training	Yes	
2008-013	Ohio Rev. Code Section 505.24(C) – Trustees Compensation Allocation	No	Not Corrected; Repeated in the Management Letter.
2008-014	Ohio Rev. Code Section 5705.10 – Negative fund balances	No	Not Corrected; Repeated as Finding Number 2010-001.
2008-015	Ohio Rev. Code Section 5705.10(H) –Authorization of Necessary Tax Levies	Yes	
2008-016	Ohio Rev. Code Section 5705.36(A)(1) – Certification of Available Balances	No	Not Corrected: Repeated in the Management Letter.
2008-017	Ohio Rev. Code Section 5705.36(A)(2)– Request for Amended Certificate	Yes	
2008-018	Ohio Rev. Code Section 5705.38(A) – Approval of Appropriation Measure	Yes	
2008-019	Ohio Rev. Code Section 5705.40 – Appropriation Amendments	Yes	
2008-020	Ohio Rev. Code Section 5705.41(B) – Expenditures Exceeding Appropriations	No	Not Corrected; Repeated as Finding Number 2010-004.
2008-021	Ohio Rev. Code Section 5705.41(D) – Certification of Availability of Funds	No	Not Corrected; Repeated as Finding Number 2010-005.



Dave Yost • Auditor of State

SALEM TOWNSHIP

WASHINGTON 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**