Board of Trustees
Salem Township
13011 Township Highway 54
Upper Sandusky, Ohio 43351

We have reviewed the Independent Auditors’ Report of Salem Township, Wyandot County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the Independent 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. Salem Township is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

July 18, 2011
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Salem Township
Wyandot County, Ohio

For the Years Ended
December 31, 2010 and 2009

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Independent Auditors’ Report

Salem Township
Wyandot County, Ohio

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Wyandot 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. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in note 1, the Township has prepared these financial statements using accounting practices the Auditor of State of Ohio 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 require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or their changes in financial position for the 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, Wyandot 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 May 27, 2011, on our consideration of the Township’s internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, 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 and should be read in conjunction with this report in considering the results of our audit.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

May 27, 2011
Salem Township  
Wyandot County, Ohio  
Combined Statement of Cash Receipts, Cash Disbursements, and  
Changes in Fund Cash Balances  
All Governmental Fund Types  
For the Year Ended December 31, 2010

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Special Revenue</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash receipts:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and other local taxes</td>
<td>$ 4,869</td>
<td>22,715</td>
<td>27,584</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>41,782</td>
<td>115,836</td>
<td>157,618</td>
</tr>
<tr>
<td>Earnings on investments</td>
<td>14</td>
<td>25</td>
<td>39</td>
</tr>
<tr>
<td>Total cash receipts</td>
<td>46,665</td>
<td>138,576</td>
<td>185,241</td>
</tr>
<tr>
<td>Cash disbursements:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>15,315</td>
<td>-</td>
<td>15,315</td>
</tr>
<tr>
<td>Public safety</td>
<td>17,708</td>
<td>-</td>
<td>17,708</td>
</tr>
<tr>
<td>Public works</td>
<td>-</td>
<td>95,480</td>
<td>95,480</td>
</tr>
<tr>
<td>Health</td>
<td>4,180</td>
<td>-</td>
<td>4,180</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>-</td>
<td>11,363</td>
<td>11,363</td>
</tr>
<tr>
<td>Total cash disbursements</td>
<td>37,203</td>
<td>106,843</td>
<td>144,046</td>
</tr>
<tr>
<td>Total receipts over disbursements</td>
<td>9,462</td>
<td>31,733</td>
<td>41,195</td>
</tr>
<tr>
<td>Other financing receipts</td>
<td>2,373</td>
<td>-</td>
<td>2,373</td>
</tr>
<tr>
<td>Total receipts and financing over disbursements</td>
<td>11,835</td>
<td>31,733</td>
<td>43,568</td>
</tr>
<tr>
<td>Fund cash balances, January 1</td>
<td>6,058</td>
<td>48,956</td>
<td>55,014</td>
</tr>
<tr>
<td>Fund cash balances, December 31</td>
<td>$ 17,893</td>
<td>80,689</td>
<td>98,582</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Special Revenue</th>
<th>Capital Projects</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and other local taxes</td>
<td>$ 4,959</td>
<td>23,136</td>
<td>-</td>
<td>28,095</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>31,939</td>
<td>112,819</td>
<td>61,120</td>
<td>205,878</td>
</tr>
<tr>
<td>Earnings on investments</td>
<td>39</td>
<td>57</td>
<td>-</td>
<td>96</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total cash receipts</td>
<td>36,937</td>
<td>136,012</td>
<td>61,120</td>
<td>234,069</td>
</tr>
</tbody>
</table>

Cash disbursements:

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Special Revenue</th>
<th>Capital Projects</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>31,342</td>
<td>-</td>
<td>-</td>
<td>31,342</td>
</tr>
<tr>
<td>Public safety</td>
<td>19,464</td>
<td>-</td>
<td>-</td>
<td>19,464</td>
</tr>
<tr>
<td>Public works</td>
<td>294</td>
<td>121,685</td>
<td>61,120</td>
<td>183,099</td>
</tr>
<tr>
<td>Health</td>
<td>3,748</td>
<td>-</td>
<td>-</td>
<td>3,748</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>-</td>
<td>5,241</td>
<td>-</td>
<td>5,241</td>
</tr>
<tr>
<td>Total cash disbursements</td>
<td>54,848</td>
<td>126,926</td>
<td>61,120</td>
<td>242,894</td>
</tr>
</tbody>
</table>

Total receipts over (under) disbursements: 17,911 9,086 - 8,825

Other financing receipts: 5,302

Total receipts and financing over (under) disbursements: 12,609 9,086 - 3,523

Fund cash balances, January 1: 18,667 39,870 - 58,537

Fund cash balances, December 31: $ 6,058 48,956 - 55,014

Reserves for encumbrances: - 607 - 607

The notes to the financial statements are an integral part of this statement.
(1) **Summary of Significant Accounting Policies**

*Description of the Entity*

Salem Township, Wyandot County, Ohio (the Township) is a body corporate and politic established to exercise 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 road and bridge maintenance. The Township contracts with Richland Township, Wyandot County Ohio and the City of Upper Sandusky, Ohio for fire services.

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

*Basis of Accounting*

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, 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 of Ohio.

*Cash*

The Township maintains an interest bearing checking account at a financial institution.

*Fund Accounting*

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

*General Fund*

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
Special Revenue Funds

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

Motor Vehicle License Tax Fund – This fund receives vehicle registration tax money.

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

Road and Bridge Fund – This fund receives local real estate property tax and other revenues collected to construct, maintain and repair Township roads.

Capital Projects Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except for those financed through enterprise or trust funds). The Township had the following Capital Project Fund:

Issue II Fund – The Township received a grant from the State of Ohio to repair Township roads.

Budgetary Process

The Ohio Revised Code (ORC) requires each fund to be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

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.
Salem Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2010 and 2009

(1) Summary of Significant Accounting Policies, continued

Budgetary Process, continued

Encumbrances

The ORC requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

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

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

(2) Equity in Pooled Cash

The Township maintains a cash pool used by all funds. The ORC prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand deposits</td>
<td>$98,582</td>
<td>55,014</td>
</tr>
</tbody>
</table>

Deposits are either insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution’s public entity deposit pool.

(3) Budgetary Activity

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

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>2010 Budgeted Receipts</th>
<th>2010 Actual Receipts</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$32,290</td>
<td>49,038</td>
<td>16,748</td>
</tr>
<tr>
<td>Special Revenue</td>
<td>109,500</td>
<td>138,576</td>
<td>29,076</td>
</tr>
<tr>
<td>Total</td>
<td>$141,790</td>
<td>187,614</td>
<td>45,824</td>
</tr>
</tbody>
</table>
Salem Township  
Wyandot County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2010 and 2009

(3) Budgetary Activity, continued

### 2010 Budgeted vs. Actual Budgetary Basis Expenditures

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Appropriation Authority</th>
<th>Budgetary Expenditures</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$ 41,205</td>
<td>37,203</td>
<td>4,002</td>
</tr>
<tr>
<td>Special Revenue</td>
<td>155,590</td>
<td>106,843</td>
<td>48,747</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 196,795</strong></td>
<td><strong>144,046</strong></td>
<td><strong>52,749</strong></td>
</tr>
</tbody>
</table>

### 2009 Budgeted vs. Actual Receipts

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Budgeted Receipts</th>
<th>Actual Receipts</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$ 38,007</td>
<td>42,239</td>
<td>4,232</td>
</tr>
<tr>
<td>Special Revenue</td>
<td>124,700</td>
<td>136,012</td>
<td>11,312</td>
</tr>
<tr>
<td>Capital Projects</td>
<td>-</td>
<td>61,120</td>
<td>61,120</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 162,707</strong></td>
<td><strong>239,371</strong></td>
<td><strong>76,664</strong></td>
</tr>
</tbody>
</table>

### 2009 Budgeted vs. Actual Budgetary Basis Expenditures

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Appropriation Authority</th>
<th>Budgetary Expenditures</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$ 63,584</td>
<td>54,848</td>
<td>8,736</td>
</tr>
<tr>
<td>Special Revenue</td>
<td>157,659</td>
<td>127,533</td>
<td>30,126</td>
</tr>
<tr>
<td>Capital Projects</td>
<td>-</td>
<td>61,120</td>
<td>(61,120)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 221,243</strong></td>
<td><strong>243,501</strong></td>
<td><strong>(22,258)</strong></td>
</tr>
</tbody>
</table>

(4) Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. 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 of Ohio, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.
(4) Property Tax, continued

Tangible personal property 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) Retirement Systems

The Township’s employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the ORC.

Contribution rates are also prescribed by the ORC. For 2010 and 2009, OPERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2010.

(6) 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 Workers’ 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgements, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage
APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained $350,000 for casualty claims and $150,000 for property claims.
(6) **Risk Management, continued**

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

**Financial Position**

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$38,982,088</td>
<td>$40,737,740</td>
</tr>
<tr>
<td>Liabilities</td>
<td>(12,880,766)</td>
<td>(12,981,818)</td>
</tr>
<tr>
<td>Net Assets</td>
<td>$26,101,322</td>
<td>$27,755,922</td>
</tr>
</tbody>
</table>

At December 31, 2009 and 2008, respectively, liabilities above include approximately $12.0 million and $12.1 million of estimated incurred claims payable. The assets above also include approximately $11.5 and $10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township’s share of these unpaid claims collectible in future years is approximately $12,000.

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

**Contributions to OTARMA**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$3,364</td>
</tr>
<tr>
<td>2009</td>
<td>2,022</td>
</tr>
<tr>
<td>2010</td>
<td>2,985</td>
</tr>
</tbody>
</table>
(6) **Risk Management, continued**

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 60 days written notice to OTARMA. 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.

(7) **Commitments**

The Township contracts with Richland Township, Wyandot County, Ohio for fire protection services pursuant to a three year contract that commenced on April 1, 2008. Terms of the contract require annual payments of $6,800.

The Township also contracts with the City of Upper Sandusky, Ohio for fire protection services pursuant to a three year contract that commenced on July 2, 2010. Terms of the contract require annual payments of $7,639.

(8) **Lease Agreement**

In 2008, the Township entered into a tractor lease/purchase agreement which expires April 2011. Terms of the lease require annual lease payments of $3,911 including principal and interest at 5.25% beginning April 2009. Lease payments made shall be credited toward the purchase price.

(9) **Subsequent Events**

Subsequent events have been evaluated through May 27, 2011, which is the date the financial statements were available to be issued.

(10) **Compliance**

Contrary to Ohio law:

- Funds were not encumbered for all disbursements.
- Material reclassifications to the financial statements were necessary in order for them to be fairly stated.
- As required by ORC Section 5705.36 a reduced amended certificate in 2009 was not obtained from the budget commission when actual receipts to be collected fell short of estimates in the Motor Vehicle License Tax Fund by $1,566. Available resources were below the current level of appropriation.
(10) Compliance, continued

- Issue II funds were not appropriated for 2009, causing expenditures to exceed appropriations in the Capital Projects Fund.
- Appropriations exceeded available resources by $6,910 in the General Fund in 2009.
Independent Auditors’ 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

Salem Township
Wyandot County, Ohio

To the Board of Trustees:

We have audited the financial statements of Salem Township, Wyandot County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 27, 2011, wherein we noted the Township followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented or detected and timely corrected.

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 deficiencies in internal control that might be deficiencies, 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider to be a significant deficiency in internal
control over financial reporting. We consider Finding 2010-01 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

In a separate letter to Township’s management dated May 27, 2011, we reported other matters involving internal controls over financial reporting we did not deem significant deficiencies.

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 such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings as Findings 2010-01 through 2010-04.

We noted certain noncompliance or other matters not requiring inclusion in this report that we reported to management of the Township in a separate letter dated May 27, 2011.

The Township’s response to the findings 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.

This report is intended solely for the information and use of the Board of Trustees, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

May 27, 2011
Effective October 19, 2004, Ohio Attorney General Opinion 2004-36 (the opinion) requires trustees to establish administrative procedures to document the proportionate amount of salaries chargeable to funds other than the General Fund based on the kinds of services rendered. The opinion is clear that arbitrary allocation percentages are not permissible, and also requires that once the government has been informed of this requirement, future findings of this nature will be findings in the GAGAS report and material amounts will be subject to reclassification to the General Fund.

In 2009, the Township allocated 100% of Trustee salaries to the Gasoline Tax Fund. In 2010, the Township allocated 100% of the Trustees’ employer portion of the retirement benefits to the Gasoline Fund and 100% of Fiscal Officer and Trustee health insurance to the Road and Bridge Fund. The Trustees maintained monthly logs of time spent working on road-related issues for the Township. However, the logs did not document time spent on other matters related to the administration of the Township. Therefore, it is clear that the Trustees devote time to road-related issues and it is reasonable that a portion of their salaries are charged to the Gasoline Tax Fund. After discussion with Township officials we determined that 87% of the Trustee salaries and related expenses can be appropriately allocated to the Gasoline Tax Fund. Adjustments of $2,499 and $2,859 for 2010 and 2009, respectively, have been made to charge a portion of the Trustee salaries and related expenses to the General Fund.

Response by Township

No response received.

Ohio Revised Code (ORC) Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury when such contract or order is made.

ORC Section 5705.41 also provides that if no certificate was furnished at the time that the contract was entered into, the fiscal officer may prepare a Then and Now Certificate stating (1) that there was at the time of the making of the contract and (2) at the time of the execution of this certificate a sufficient sum appropriated for the purpose of the contract in question in the treasury or in process of collection to the credit of the appropriate fund, free from previous encumbrances. We noted that funds were not encumbered prior to expenditure for three of the twenty disbursements tested and a Then and Now Certificate was not prepared.
Salem Township  
Wyandot County, Ohio  
Schedule of Findings, continued  
December 31, 2010 and 2009  
Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS

Response by Township

No response received.

Finding Number 2010-03  
Noncompliance

ORC Section 5705 sets forth a method that provides for a uniform budget and appropriation process in order to assure that the government entity expends no more than it expects to receive in revenue. In order to accomplish this, all appropriations must be accounted to and from each appropriation fund. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded. Thus, a procedure is still required to account for receipt and expenditure. That method is an amendment of, or a supplement to, the entity’s estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation. An original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, that measure also requires legislative action. In 2009, the Township was the beneficiary of $61,120 of Issue II money through the Wyandot County Auditor. This activity was not recorded on the ledgers of the Township. Since the County paid the invoices, the Township did not receive this cash.

However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Township applies for a project and has administrative responsibilities. The accompanying financial statements were adjusted to reflect these amounts in a Capital Project Fund. These funds were not appropriated causing expenditures to exceed appropriations in the Capital Projects Fund by $61,120 in 2009 contrary to ORC 5705.41(B) which requires all expenditures to be appropriated.

Response by Township

No response received.

Finding Number 2010-04  
Noncompliance

ORC Section 5705.39, states that the total appropriations from each fund should not exceed the total of estimated resources available (cash available at the beginning of the year plus estimated receipts for the year). In 2009, appropriations exceeded available resources by $6,910 in the General Fund.

ORC Section 5705.41(B) provides that no money is to be expended unless it has been appropriated. In 2009, the Township did not appropriate expenditures for the Issue II project mentioned in Finding 2010-04 of $61,120.
Salem Township  
Wyandot County, Ohio  
Schedule of Findings, continued  
December 31, 2010 and 2009  

Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS  

Finding Number 2010-04, continued  
Noncompliance  

ORC Section 5705.36 states:

(1) That an increased amended certificate must be obtained from the Budget Commission if the legislative authority intends to appropriate and expend revenue in excess of the estimated resources.

(2) A reduced amended certificate must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriations.

In 2009, appropriations exceeded available resources by $1,566 in the Motor Vehicle License Tax Fund. This deficit was caused by actual receipts falling below budgeted receipts. We recognize that the Township did not spend all appropriations and actual expenses did not exceed available resources, but ORC Section 5705.36 still requires an amended certificate of estimated resources to reflect the reduced receipts. Additionally, the Township should have reduced the appropriations below the estimated resources.

Response by Township

No response received.
<table>
<thead>
<tr>
<th>Finding Number</th>
<th>Finding Summary</th>
<th>Fully Corrected?</th>
<th>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-01</td>
<td>Ohio Attorney General Opinion 2004-36 requires trustees to document the proportionate amount of trustee salaries to funds other than the General Fund</td>
<td>No</td>
<td>Reissued as Finding 2010-01.</td>
</tr>
<tr>
<td>2008-02</td>
<td>ORC 5705-41 Fiscal Officer must certify the commitment of money prior to the expenditure taking place</td>
<td>No</td>
<td>Reissued as Finding 2010-02.</td>
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<tr>
<td>2008-03</td>
<td>ORC 5705.44 a certificate is required for contracts maturing in subsequent year</td>
<td>No</td>
<td>Finding no longer valid.</td>
</tr>
<tr>
<td>2008-04</td>
<td>Budgetary</td>
<td>No</td>
<td>Reissued as Finding 2010-03.</td>
</tr>
<tr>
<td>2008-05</td>
<td>ORC 121.22 meetings are to be open to the public</td>
<td>Yes</td>
<td>Finding no longer valid.</td>
</tr>
<tr>
<td>2008-06</td>
<td>ORC 9.833 Self insurance</td>
<td>Yes</td>
<td>Finding no longer valid.</td>
</tr>
<tr>
<td>2008-07</td>
<td>ORC 5705.39, ORC 5705.36 and ORC 5705.41(B) Budgetary Appropriations And Receipts</td>
<td>No</td>
<td>Reissued as Finding 2010-04.</td>
</tr>
</tbody>
</table>
SALEM TOWNSHIP

WYANDOT 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 28, 2011