



Dave Yost • Auditor of State

**SALEM TOWNSHIP
WASHINGTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Salem Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Basis for Qualified Opinion on 2011 Regulatory Basis of Accounting

The accompanying financial statement for the year ended December 31, 2011 presents receipts and disbursements by fund totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

Qualified Opinion on 2011 Regulatory Basis of Accounting

In our opinion, except for the omission of receipt and disbursement classifications matter discussed in the *Basis for Qualified Opinion on 2011 Regulatory Basis of Accounting*, the financial statement referred to above does present fairly, in all material respects, the combined fund balances of Salem Township, Washington County, Ohio, as of December 31, 2011, and for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Basis for Qualified Opinion on 2012 Regulatory Basis of Accounting

During 2011, the Township had mispostings in the amount of \$6,147 and in 2012 there were mispostings in the amount of \$1,609. The Township declined to make the 2011 or 2012 adjustments for the mispostings. See Finding Number 2012-004 for a detailed fund breakdown.

Opinion on Regulatory Basis of Accounting

In our opinion, because of the significance of the matter discussed in the *Basis for Qualified Opinion on Regulatory Basis of Accounting*, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Salem Township, Washington County, Ohio, as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2012 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 10, 2013

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**SALEM TOWNSHIP
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$20,094	\$55,059	\$75,153
Charges for Services	1,400		1,400
Licenses, Permits and Fees		2,225	2,225
Intergovernmental	22,910	172,606	195,516
Earnings on Investments	126	33	159
Miscellaneous	425	8,893	9,318
<i>Total Cash Receipts</i>	<u>44,955</u>	<u>238,816</u>	<u>283,771</u>
Cash Disbursements			
Current:			
General Government	34,068		34,068
Public Safety		26,792	26,792
Public Works		156,336	156,336
Health		9,905	9,905
Capital Outlay		199,000	199,000
Debt Service:			
Principal Retirement		38,540	38,540
Interest and Fiscal Charges		1,501	1,501
<i>Total Cash Disbursements</i>	<u>34,068</u>	<u>432,074</u>	<u>466,142</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>10,887</u>	<u>(193,258)</u>	<u>(182,371)</u>
Other Financing Receipts (Disbursements)			
Sale of Notes		199,000	199,000
Transfers In		2,000	2,000
Transfers Out	(2,000)		(2,000)
Other Financing Sources	74		74
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,926)</u>	<u>201,000</u>	<u>199,074</u>
<i>Net Change in Fund Cash Balances</i>	8,961	7,742	16,703
<i>Fund Cash Balances, January 1, (Restated See Note 3)</i>	<u>47,323</u>	<u>100,139</u>	<u>147,462</u>
Fund Cash Balances, December 31			
Restricted		107,881	107,881
Unassigned (Deficit)	56,284		56,284
<i>Fund Cash Balances, December 31</i>	<u>\$56,284</u>	<u>\$107,881</u>	<u>\$164,165</u>

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

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	January 1 Fund Balances	Total Cash Receipts	Total Cash Disbursements	December 31 Fund Balance
General Fund	\$40,179	\$64,371	\$65,595	\$38,955
Special Revenue Funds:				
Motor Vehicle License Tax	(22,416)	30,142	168	7,558
Gasoline Tax	71,028	86,015	152,303	4,740
Road and Bridge	(4,658)	25,959	10,956	10,345
Cemetery	(9,508)	11,800	\$1,536	756
Fire Levy	57,646	57,626	56,993	58,279
Permissive Sales Tax	(1,930)	19,723	16,781	1,012
Total Special Revenue Funds	90,162	231,265	238,737	82,690
Debt Service	(4,718)	4,718		0
Capital Projects				
FEMA	10,446		10,446	0
Special Assessments	501		501	0
Total Capital Projects Funds	10,947	0	10,947	0
Permanent Fund	(53)	53		0
Total All Funds	\$136,517	\$300,407	\$315,279	\$121,645

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

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 the 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 road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Liberty and Elk Townships to provide fire services.

The Township participates in the Ohio Risk Management Plan Inc. (OPRM) – formally known as the Ohio Government Risk Management Plan, (the “Plan”), a non-assessable unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). Note 9 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

The Township did not classify its receipts and disbursements in the accompanying December 31, 2011 financial statement. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code requires classifying receipts and disbursements.

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 that is 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 Funds:

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

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

Special Fire Levy Fund - This fund receives property tax money to provide fire and emergency medical services to its township residents.

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. The County Budget Commission must also approve the annual appropriation measure. 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. The township did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 5.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance (Continued)

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Property, Plant, and Equipment

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

2. Change in Accounting Principle

For fiscal year 2011, the Township implemented Government Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. Restatement of Fund Balance

For the year ended December 31, 2011, an adjustment resulted in fund balance restatement:

<u>Governmental Funds:</u>	<u>Fund Balances at December 31, 2011</u>	<u>Restatement Amount</u>	<u>Fund Balances at January 1, 2012</u>
General	\$38,955	\$8,368	\$47,323
Special Revenue	82,690	17,449	\$100,139
Total	<u>\$121,645</u>	<u>\$25,817</u>	<u>\$147,462</u>

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Restatement of Fund Balance (Continued)

The changes in fund balances for the General and Special Revenue are the result of adjustments requested in a prior audit.

4. 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:

	2012	2011
Demand deposits	\$164,165	\$147,462

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

5. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$80,955	\$45,029	(\$35,926)
Special Revenue	481,688	439,816	(41,872)
Total	\$562,643	\$484,845	(\$77,798)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,556	\$36,068	\$7,488
Special Revenue	449,715	432,074	17,641
Total	\$493,271	\$468,142	\$25,129

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$216,358	\$64,371	(\$151,987)
Special Revenue	151,479	231,265	79,786
Debt Service	0	4,718	4,718
Permanent	0	53	53
Total	\$367,837	\$300,407	(\$67,430)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$216,358	\$65,595	\$150,763
Special Revenue	151,479	238,737	(87,258)
Capital Projects	0	10,947	(10,947)
Total	\$367,837	\$315,279	\$52,558

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. 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.

7. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Fire Truck	\$199,000	4.25%
Total	\$199,000	

The Township issued a general obligation loan to finance the purchase of a new fire truck. The loan is collateralized by the fire truck.

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

Year ending December 31:	Fire Truck
2013	\$18,215
2014	18,215
2015	18,215
2016	18,215
2017	18,215
2018-2022	182,155
Total	\$273,230

8. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. Risk Management

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

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

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 43745

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Salem Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated December 10, 2013, wherein we noted the Township has adopted Governmental Accounting Standards Board statement No. 54 for 2012. We also noted the Township followed accounting financial reporting provisions of Ohio Rev. Code Section 117.38 and the Ohio Administrative Code Section 117-2-03 permit. We issued a qualified opinion on the 2011 regulatory financial statements due to the Township not classifying receipts and disbursements in each fund and on the 2012 regulatory financial statements for declining to make an adjustment for mispostings.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider Findings 2012-001, 2012-003 and 2012-004 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-002 and 2012-005 described in the accompanying Schedule of Findings to be 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, opining 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 2012-001 and 2012-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

December 10, 2013

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Noncompliance/Material Weakness

Ohio Admin. Code Section 117-2-02(A) requires public offices to 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, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Admin. Code Section 117-2-02(C)(1), all local public offices should integrate the budgetary accounts, at the legal of control or lower, into the financial accounting system. This means providing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Ohio Admin. Code Section 117-2-02(D), accounting records that can help achieve these objectives include the following:

1. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
2. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

In addition, all local public offices should maintain or provide payroll records including:

1. W-2 forms, W-4 forms and other withholding records and authorizations;
2. Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments;
3. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
4. Information regarding non-monetary benefits such as car usage and life insurance; and,
5. Information, by employee, regarding leave balances and usage.

The Township discontinued using the Uniform Accounting Network accounting system in 2011 due to the Fiscal Officer not being able to reconcile the accounting system to the bank account. The Township contracted with Auditor of State Local Government Services to help reconcile the Township. After reconciling in 2011, the Township continued use of the UAN accounting system during 2012.

During the period January 2011 through November 30, 2011, the Township maintained a manual cash journal. The Township did not maintain a receipts ledger, appropriation ledger or payroll journal. As a result, the Township was unable to accurately classify receipts by source or disbursements by purpose for the period January 1, 2011 through November 30, 2011. During 2011, the Township maintained no budgetary accounting system. This led to increased time in completion of our procedures and increased audit fees. In addition, the fiscal officer failed to maintain records for employees who were eligible for vacation and sick leave.

We recommend the Township properly maintain the accounting records and reconcile the cash journal to the bank balances and to the receipts ledger and appropriation ledger monthly. In addition, the fiscal officer should maintain information by employee, regarding leave balances and usage. Using these accounting records will provide the Township with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-002

Noncompliance/Significant Deficiency

Ohio Rev. Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from 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 so-called "blanket" certificates against any specific line item account over a period not running beyond the current fiscal 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. Blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year.
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. No more than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not certify the availability of funds prior to purchase commitment for sixty-seven percent (67%) of the expenditures tested in 2011 and one hundred percent (100%) of the expenditures tested in 2012 and there was no evidence the Township followed the aforementioned exceptions. 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.

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-002 (Continued)

Noncompliance/Significant Deficiency – Ohio Rev. Code Section 5705.41(D)(1) (Continued)

We recommend the Township certify purchases to which Section 5705.41(D) applies. 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 orders to the proper appropriation code to reduce the available appropriation. We also recommend the Township establish a threshold for blanket certificates that may not be exceeded if they wish to begin issuing regular blanket certificates.

FINDING NUMBER 2012-003

Material Weakness

The Township should integrate the legislatively-approved budgetary documents into a budgetary accounting system, at the legal level of control or lower. 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, 2011, legislatively-approved appropriations did not get posted agree to a budgetary accounting system. The variances are as follows:

Funds	Approved Appropriations	Appropriations per System	Variance
General	\$216,358	\$0	\$216,358
MVL	13,689	0	13,689
Gasoline Tax	68,459	0	68,459
Road & Bridge	25,869	0	25,689
Cemetery	15,860	0	15,860
Fire Levy	27,602	0	27,602

At December 31, 2012, legislatively-approved appropriations did not agree to the Township's appropriation ledger for the following funds. The variances are as follows:

Fund	Approved Appropriations	Appropriations per System	Variance
General	\$40,556	\$43,556	\$2,000
MVL	28,278	24,155	4,123
Cemetery	12,050	10,050	2,000

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-003 (Continued)

Material Weakness (Continued)

At December 31, 2011, estimated resources as approved by the Budget Commission did not get posted to a budgetary accounting system. The variances are as follows:

Fund	Approved Estimated Receipts	Estimated Receipts per System	Variance
General	\$216,358	\$0	\$216,358
MVL	13,689	0	13,689
Gas Tax	68,459	0	68,459
Road & Bridge	25,869	0	25,869
Cemetery	15,860	0	15,860
Fire Levy	27,602	0	27,602

At December 31, 2012, 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:

Fund	Approved Estimated Receipts	Estimated Receipts per System	Variance
General	\$80,955	\$42,000	\$38,955
MVL	26,558	19,000	7,558
Gas Tax	76,740	72,000	4,740
Road & Bridge	34,345	24,000	10,345
Cemetery	10,756	10,000	(756)
Fire Levy	295,279	237,000	58,279
Permissive Sales	38,012	37,000	1,012

During 2011, the Township did not maintain a budgetary accounting system. During 2012, the legislatively-approved budgetary documents were not accurately entered into the budgetary accounting system. 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. Adjustments were made to budgetary notes to reflect the legislatively-approved budgetary amounts.

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.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-004

Finding for Adjustment/Material Weakness

The Township maintained limited internal control procedures for the inputting of receipts and disbursements. The financial information entered into the UAN accounting system was not consistently reviewed for completeness and accuracy of input.

The Township misclassified permissive sales tax revenue from Washington County, in the amount of \$56,025 in 2012. The Fiscal Officer posted these revenues to taxes instead of intergovernmental revenue. In addition, fire department grant revenue and expenditures, in the amount of \$11,812 for 2011, was not posted to the Township's Fire Levy fund. These reclassifications were made to the financial statements.

During 2011, the Fiscal Officer posted \$3,285 of donations to the General Fund instead of the Cemetery Fund, Special Revenue Fund type. Also, an Ohio Public Employees Retirement System (OPERS) refund, in the amount of \$1,841.80 was posted to the General Fund instead of the Gas Tax Fund, Special Revenue Fund type. A state tax withholding refund, in the amount of \$1,021.53 was posted to the General Fund instead of the Motor Vehicle License Tax Fund, in the amount of \$160.00, the Gasoline Tax Fund, in the amount of \$566.15, and the Road and Bridge Fund, in the amount of \$295.38.

During 2012, the Fiscal Officer posted homestead and rollback revenue, in the amount of \$729.36 to the General Fund and in the amount of \$879.99 to the Fire Levy Fund instead of to the Road and Bridge Fund, in the amount of \$1,609.35.

A finding for adjustment is hereby issued for the following funds:

	General	Gas Tax	Road & Bridge	Cemetery	MVL	Fire Levy
	(\$3,285)			\$3,285		
	(1,841)	\$1,841				
	(1,021)	566	\$295		\$160	
2011	(6,147)	2,407	295	3,285	160	
2012	(729)			1,609		(\$880)
total	(\$6,876)	\$2,407	\$295	\$4,894	\$160	(\$880)

These misstatements were caused by a lack of management oversight. Management has declined to make any of the aforementioned adjustments.

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.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-005

Significant Deficiency

As required by law, the Township withholds federal/state taxes, Medicare, and retirement contributions from each employee of the Township based on required percentages. The Fiscal Officer then submits these amounts, along with required employer-share contributions to the appropriate agency. These payroll amounts are to be remitted in a timely manner to the appropriate agency.

During our audit period, we noted payments were not always submitted timely or in the proper amounts and supporting documentation was not maintained to reconcile these amounts. This resulted in late charges/penalties and interest, in the amount of \$462.89 in 2011 and \$534.21 in 2012 being assessed to the Township during the audit period. It was also noted during the audit period that the Township overpaid retirement contributions to the Ohio Public Retirement System in 2011 and 2012, overpaid state taxes and overpaid federal taxes and Medicare in 2011. Refund checks were issued by the different agencies.

We recommend the Fiscal Officer adopt internal control procedures to ensure the timely, accurate reporting of payroll withholding amounts.

Officials' Response: The Officials did not respond to the findings above.

**SALEM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-001	Ohio Rev. Code Section 5705.10(H) – The Township had negative fund balances at December 31, 2009 and 2010 in the Motor Vehicle License Tax, Road and Bridge, Cemetery, Permissive Sales Tax, Debt Retirement and Permanent Funds.	Yes	
2010-002	Ohio Rev. Code Section 5705.36(A)(4) – the Township’s approved appropriations exceeded actual resources at December 31, 2009 and 2010.	Yes	
2010-003	Ohio Rev. Code Section 5705.39 – The Township’s appropriations exceeded estimated resources at December 31, 2009 and 2010.	Yes	
2010-004	Ohio Rev. Code Section 5705.41(B) – The Township’s expenditures exceeded appropriations at December 31, 2009 and 2010.	Yes	
2010-005	Ohio Rev. Code Section 5705.41(D) – The Township did not properly certify the availability of funds.	No	Not corrected. Re-issued as Finding 2012-002
2010-006	Monthly bank reconciliations were not performed timely to the Township’s accounting system.	Yes	Finding No Longer Valid.
2010-007	Misclassifications and Misposting - Numerous posting errors resulting in a net effect ranging from \$53 to \$86,696 existed at December 31, 2010.	No	Not corrected. Re-issued as Finding 2012-004
2010-008	Estimated receipts and appropriations as approved by the legislative authority did not agree to the Township’s UAN system	No	Not corrected. Re-issued as Finding 2012-003

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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
DECEMBER 26, 2013**