



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 of the cash balances, receipts and disbursements by fund type, and related notes of Salem Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2014 and 2013.

### ***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 Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement.

### ***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 § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis of 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, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Salem Township, Washington County, Ohio, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permits, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, 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 Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 15, 2015

**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, 2014**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$21,475	\$59,341	\$80,816
Charges for Services	2,800	0	2,800
Licenses, Permits and Fees	0	1,500	1,500
Intergovernmental	18,218	203,663	221,881
Earnings on Investments	83	32	115
Miscellaneous	2,215	10,561	12,776
<i>Total Cash Receipts</i>	<u>44,791</u>	<u>275,097</u>	<u>319,888</u>
<b>Cash Disbursements</b>			
Current:			
General Government	80,029	0	80,029
Public Safety	0	36,494	36,494
Public Works	954	185,388	186,342
Debt Service:			
Principal Retirement	0	10,172	10,172
Interest and Fiscal Charges	0	8,043	8,043
<i>Total Cash Disbursements</i>	<u>80,983</u>	<u>240,097</u>	<u>321,080</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(36,192)</u>	<u>35,000</u>	<u>(1,192)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In	0	20,261	20,261
Transfers Out	(20,261)	0	(20,261)
Other Financing Sources	56,990	0	56,990
<i>Total Other Financing Receipts (Disbursements)</i>	<u>36,729</u>	<u>20,261</u>	<u>56,990</u>
<i>Net Change in Fund Cash Balances</i>	537	55,261	55,798
<i>Fund Cash Balances, January 1</i>	<u>61,416</u>	<u>128,184</u>	<u>189,600</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	174,476	174,476
Unassigned	61,953	8,969	70,922
<i>Fund Cash Balances, December 31</i>	<u><u>\$61,953</u></u>	<u><u>\$183,445</u></u>	<u><u>\$245,398</u></u>

**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, 2013**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$20,010	\$55,271	\$75,281
Charges for Services	1,550	0	1,550
Licenses, Permits and Fees	0	1,375	1,375
Intergovernmental	26,829	178,243	205,072
Earnings on Investments	72	21	93
Miscellaneous	1,018	8,422	9,440
<i>Total Cash Receipts</i>	<u>49,479</u>	<u>243,332</u>	<u>292,811</u>
<b>Cash Disbursements</b>			
Current:			
General Government	41,551	0	41,551
Public Safety	0	24,815	24,815
Public Works	3,506	175,981	179,487
Health	0	4,017	4,017
Debt Service:			
Principal Retirement	0	9,758	9,758
Interest and Fiscal Charges	0	8,458	8,458
<i>Total Cash Disbursements</i>	<u>45,057</u>	<u>223,029</u>	<u>268,086</u>
<i>Excess of Receipts Over Disbursements</i>	<u>4,422</u>	<u>20,303</u>	<u>24,725</u>
<b>Other Financing Receipt</b>			
Other Financing Source	710	0	710
<i>Total Other Financing Receipt</i>	<u>710</u>	<u>0</u>	<u>710</u>
<i>Net Change in Fund Cash Balances</i>	5,132	20,303	25,435
<i>Fund Cash Balances, January 1</i>	<u>56,284</u>	<u>107,881</u>	<u>164,165</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	128,184	128,184
Unassigned	61,416	0	61,416
<i>Fund Cash Balances, December 31</i>	<u>\$61,416</u>	<u>\$128,184</u>	<u>\$189,600</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, 2014 AND 2013**

**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 Plan Risk Management, 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 7 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**C. Deposits**

The Township had one primary, interest bearing checking account during the audit period.

**D. 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:

**SALEM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

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

Permissive Sales Tax Fund - This fund receives money from the Washington County Commissioners from the County's permissive sale tax levy. Funds are restricted for the purpose of maintaining Township roads.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into two 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. 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, 2014 AND 2013  
(Continued)**

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

**F. Fund Balance (Continued)**

**2. 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.

**G. 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. 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:

	2014	2013
Demand deposits	\$245,398	\$189,600

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,000	\$101,781	\$62,781
Special Revenue	195,800	295,358	99,558
Total	\$234,800	\$397,139	\$162,339

**SALEM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. Budgetary Activity (Continued)**

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$116,045	\$101,244	\$14,801
Special Revenue	313,929	240,097	73,832
Total	\$429,974	\$341,341	\$88,633

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,500	\$50,189	\$12,689
Special Revenue	195,369	243,332	47,963
Total	\$232,869	\$293,521	\$60,652

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,875	\$45,057	\$4,818
Special Revenue	234,555	223,029	11,526
Total	\$284,430	\$268,086	\$16,344

Contrary to Ohio Rev. Code § 5705.39, budgetary expenditures exceeded formal appropriations in the General Fund by \$20,261, the Cemetery Fund by \$16,345 and the Permissive Sales Tax Fund by \$29,180.

**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.

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

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

**5. Debt**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
2012 Fire Truck	\$179,143	4.25%

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

**SALEM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**5. Debt (Continued)**

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

Year ending December 31:	2012 Fire Truck Loan
2015	\$18,215
2016	18,215
2017	18,215
2018	18,215
2019	18,215
2020-2024	91,075
2025-2027	54,645
Total	\$236,795

**6. Retirement System**

The Township's elected officials and 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 2014 and 2013, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

**7. Risk Management**

The Township 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 § 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 (and through October 2014) 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 774 and 783 members as of December 31, 2013 and 2014 respectively.

**SALEM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. Risk Management (Continued)**

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 equity at December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://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 45745

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, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated December 15, 2015, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

### ***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 a 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. 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. We consider Findings 2014-001 through 2014-003 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, 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 2014-001 through 2014-005.

***Entity's Responses to Findings***

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.

***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 15, 2015

**SALEM TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Noncompliance and Material Weakness**

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Ohio Rev. Code § 133.22 allows a subdivision to issue anticipatory securities, § 133.10 allows anticipation securities in anticipation of current property tax revenues, § 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct and § 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question is issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

The Township issued a promissory note for \$199,000 to finance the purchase of a fire truck in 2012 which did not meet the criteria for any of the debt allowed in Ohio Revised Code Chapter 133.

**Official's Response:** We will attempt to correct moving forward.

**FINDING NUMBER 2014-002**

**Noncompliance and Material Weakness**

Ohio Admin. Code § 117-2-02(A) provides that all local public offices should 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.

The following errors were identified for the year ended December 31, 2013:

General Fund:

- Local Government of \$627 were misposted as taxes rather than as intergovernmental receipts.
- Manufactured Home Tax was misposted as intergovernmental receipts and posted at net rather than at gross with deductions expensed. As a result, tax receipts and general government expenditures increased by \$105 and \$19, respectively, and intergovernmental receipts decreased by \$87.
- Property Tax and Homestead and Rollback receipts were posted at net, rather than at gross.
- A receipt for \$12,562 from the Washington County Commissioners was incorrectly posted as other financing sources rather than as intergovernmental receipts.
- Homestead and Rollback receipts totaling \$12,147 were incorrectly posted in total as taxes rather than being allocated among the General Fund, Road and Bridge Fund and the Special Levy Fire Funds as intergovernmental receipts.
- A refund of \$1,018 was incorrectly posted as tax receipts rather than as miscellaneous receipts.
- Three expenditures totaling \$1,927 were incorrectly posted as transfers out rather than as general government expenditures.
- Since the subsequent year's appropriations exceeded the estimated receipts in the General Fund, \$74,122 of the December 31, 2013 fund balance was reclassified as assigned rather than unassigned.

**SALEM TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-002 (Continued)**

**Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)**

Motor Vehicle License Tax Fund:

- Motor vehicle license tax receipts from the Washington County Auditor totaling \$6,717 were incorrectly posted to the Gasoline Tax fund (\$2,574) and the Road and Bridge fund (\$4,143).

Gasoline Tax Fund:

- Motor vehicle license tax receipts from the Washington County Auditor totaling \$2,574 were incorrectly posted as intergovernmental to this fund rather than to the Motor Vehicle License Tax fund.
- Dust control receipts totaling \$3,220 and a \$108 refund from Blue Cross/Blue Shield were incorrectly posted as intergovernmental rather than as miscellaneous receipts.

Road and Bridge Fund:

- Motor vehicle license tax receipts from the Washington County Auditor totaling \$4,143 were incorrectly posted as intergovernmental to this fund rather than to the Motor Vehicle License Tax fund.
- Homestead and Rollback receipts of \$3,514 were incorrectly posted to the General Fund rather than as intergovernmental receipts of this fund.
- Homestead and Rollback receipts of \$203 were incorrectly posted in total as taxes rather than being allocated among the General Fund, Road and Bridge Fund and the Special Levy Fire Funds as intergovernmental receipts.
- Manufactured Home Tax was misposted as intergovernmental receipts and posted at net rather than at gross with deductions expensed. As a result, tax receipts and public works expenditures increased by \$118 and \$20, respectively, and intergovernmental receipts decreased by \$98.

Special Levy Fire Fund:

- Homestead and Rollback receipts of \$5,455 were incorrectly posted to the General Fund rather than as intergovernmental receipts of this fund.
- Manufactured Home Tax was misposted as intergovernmental receipts and posted at net rather than at gross with deductions expensed. As a result, tax receipts and public works expenditures increased by \$185 and \$33, respectively, and intergovernmental receipts decreased by \$152.

Permissive Sale Tax Fund:

- Permissive sales tax receipts of \$75,370 were incorrectly posted as taxes rather than as intergovernmental receipts.
- A refund from a vendor for \$794 was incorrectly posted as tax receipts rather than as miscellaneous receipts.

The following errors were identified for the year ended December 31, 2014:

General Fund:

- Property taxes were posted at net rather than gross resulting in an increase in tax receipts and general government expenditures of \$1,270.
- Homestead and Rollback receipts totaling \$1,965 were posted incorrectly to Taxes in the General Fund instead of Intergovernmental. A portion of this was posted at net rather than at gross resulting in an increase in intergovernmental receipts and general government expenditures of \$751.

**SALEM TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-002 (Continued)**

**Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)**

- Permissive Sales Tax receipts of \$19,120 were posted incorrectly to Taxes in the General Fund instead of Intergovernmental in the Permissive Sales Tax Fund.
- Homestead and Rollback receipts totaling \$6,580 were posted incorrectly to Taxes in the General Fund instead of Intergovernmental in the General fund (\$1,908), Intergovernmental in the Road and Bridge Fund (\$2,033), and Intergovernmental in the Special Levy Fund (\$2,639).
- Miscellaneous receipts totaling \$719 were posted incorrectly to Intergovernmental in the General Fund.

Motor Vehicle License Tax Fund:

- Motor vehicle license tax receipts from the Washington County Auditor totaling \$4,062 were incorrectly posted to the Road and Bridge fund.

Gasoline Tax Fund:

- A refund of \$323 was misposted as intergovernmental receipts rather than as miscellaneous.

Road and Bridge Fund:

- Property taxes were posted at net rather than gross resulting in an increase in tax receipts and public works expenditures of \$2,070.
- Motor vehicle license tax receipts were incorrectly posted as taxes (\$2,769) and intergovernmental (\$1,293) to this fund rather than to the Motor Vehicle License Tax fund.
- Homestead and Rollback receipts of \$3,514 were incorrectly posted to the General Fund rather than as intergovernmental receipts of this fund.
- Homestead and Rollback receipts were incorrectly posted in total as taxes and the deductions misallocated. As a result, tax receipts and public works expenditures decreased by \$2,100 and \$120, respectively, and intergovernmental receipts increased by 1,980.
- Homestead and Rollback receipts of \$2,033 belonging to this fund were incorrectly posted to the General Fund.

Special Levy Fire Fund:

- Property taxes were posted at net rather than gross resulting in an increase in tax receipts and public safety expenditures of \$570.
- Homestead and Rollback receipts were incorrectly posted in total as taxes and the deductions misallocated. As a result, tax receipts and public safety expenditures decreased by \$3,201 and \$631, respectively, and intergovernmental receipts increased by 2,570.
- Permissive Sales Tax receipts of \$10,000 were posted incorrectly to Taxes in the Special Levy Fire Fund instead of Intergovernmental in the Permissive Sales Tax Fund.
- Homestead and Rollback receipts of \$2,640 belonging to this fund were incorrectly posted to the General Fund.
- Principal retirement expenses of \$680 and interest and fiscal charges of \$5,544 were incorrectly posted as public safety expenditures in the Special Levy Fund.
- Insurance expense of \$3,807 for the Special Levy Fund was posted incorrectly to the General Fund.

The net effect of the adjustments described above to the December 31, 2014 fund cash balances are as follows:

**SALEM TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-002 (Continued)**

**Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)**

Fund	Unadjusted 12/31/14 Fund Balances	Adjustments	Adjusted 12/31/14 Fund Balances
General	\$98,521	(\$27,599)	\$70,922
Motor Vehicle License Tax	16,174	4,062	20,236
Gasoline Tax	37,798	0	37,798
Road and Bridge	37,513	(2,029)	35,484
Cemetery	26,108	0	26,108
Special Levy - Fire	29,283	(3,554)	25,729
Permissive Sales Tax	1	29,120	29,121
	<u>\$245,398</u>	<u>\$0</u>	<u>\$245,398</u>

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

The Fiscal Officer should refer to the Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the financial statements reflect the appropriate sources of the receipts and proper classification of disbursements.

**Official's Response:** We will attempt to correct moving forward.

**FINDING NUMBER 2014-003**

**Noncompliance and Material Weakness**

Ohio Admin. Code § 117-2-02(C)(1) provides that 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, 2014, appropriations, as approved by the Trustees, did not agree to the Township's ledgers are as follows:

Fund	Appropriations as Adopted	Appropriations per System	Variance
General	\$116,045	\$82,482	\$33,563
Gasoline Tax	104,123	141,500	(37,377)
Road and Bridge	34,558	5,558	29,000
Cemetery	22,000	22,200	(200)
Special Levy - Fire	45,000	92,943	(47,943)
Permissive Sales Tax	87,621	101,786	(14,165)

**SALEM TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-003 (Continued)**

**Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(C)(1) (Continued)**

At December 31, 2013, appropriations, as approved by the Trustees, did not agree to the Township's ledgers are as follows:

Fund	Appropriations as Adopted	Appropriations per System	Variance
General	\$49,875	\$95,784	(\$45,909)
Motor Vehicle License Tax	19,100	20,627	(1,527)
Gasoline Tax	76,290	108,968	(32,678)
Road and Bridge	24,100	34,558	(10,458)
Cemetery	4,050	5,655	(1,605)
Special Levy - Fire	56,015	75,430	(19,415)
Permissive Sales Tax	55,000	87,360	(32,360)

Because the budgetary information posted to the accounting system differed from the amounts formally approved, the Trustees lost some degree of control and was unable to effectively monitor and report its budget and actual status throughout the year.

The Fiscal Officer should accurately post estimated receipts, as certified by the County Budget Commission, and appropriations, as approved by the Trustees, to the accounting system to help ensure more useful comparisons of budget to actual activity and provide management with an accurate monitoring tool.

**Official's Response:** We will attempt to correct moving forward.

**FINDING NUMBER 2014-004**

**Noncompliance**

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

Formally adopted appropriations exceeded estimated resources (estimated receipts plus available fund balances) at December 31, 2014 for the following funds:

Fund	Estimated Resources	Formal Appropriations	Variance
General Fund	\$95,784	\$116,045	(\$20,261)
Cemetery	5,655	22,000	(16,345)
Permissive Sales Tax	58,441	87,621	(29,180)

Failure to certify estimated resources or to ensure formal appropriations are within those resources can result in overspending and negative fund balances.

**SALEM TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**FINDING NUMBER 2014-004 (Continued)**

**Noncompliance - Ohio Rev. Code § 5705.39 (Continued)**

The Township officials should monitor appropriations to ensure they are within the estimated resources as filed with the budget commission.

**Official's Response:** We will attempt to correct moving forward.

**FINDING NUMBER 2014-005**

**Noncompliance**

26 U.S.C. § 3402(a)(1) requires employers to withhold and remit federal income taxes from the wages of employees and elected officials. Federal taxes were withheld from employees' and elected officials' wages during 2013 and 2014; however, there was no indication or documentation the amounts withheld were remitted. As of December 31, 2014, the Township had outstanding obligations to the Internal Revenue Service for federal income taxes withheld in the amount of \$4,684 for 2013 and \$3,663 for 2014. These amounts do not include amounts owed for any interest and penalties which may have been assessed.

The Fiscal Officer should remit federal income taxes withheld on a timely basis and maintain documentation concerning the remittance of federal income taxes. This matter will be referred to the Internal Revenue Service.

**Official's Response:** We will attempt to correct moving forward.

**SALEM TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Ohio Admin. Code § 117-2-02(A) cited for not maintaining the required accounting records during the audit period.	Yes	N/A
2012-002	Ohio Rev. Code § 5705.41(D)(1) cited for not encumbering purchase obligations prior to commitment.	Yes	N/A
2012-003	Material Weakness for appropriations not being entered to the accounting system or entered at amounts different than those formally approved.	No	Repeated as Finding 2014-003.
2012-004	Finding for Adjustment and Material Weakness for material mispostings.	No	Partially corrected. The Township has posted the prior audit adjustments but misposting recurred. Repeated in Finding 2014-002.
2012-005	Significant Deficiency for not remitting payroll tax deductions timely and/or in the correct amounts.	No	Repeated as Finding 2014-005.

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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 29, 2015**