



Dave Yost • Auditor of State



**SALISBURY TOWNSHIP  
MEIGS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Salisbury Township  
Meigs County  
121 Fairlane Drive  
Middleport, Ohio 45760

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Salisbury Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

### ***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, 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 § 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, 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.

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 permitted 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 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, 2013 and 2012, 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 Salisbury Township, Meigs County, Ohio, as of December 31, 2013 and 2012, 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(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 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

March 2, 2015

**SALISBURY TOWNSHIP  
MEIGS 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	\$ 22,080	\$ 58,087	\$ 80,167
Intergovernmental	20,602	118,535	139,137
Earnings on Investments	48	25	73
Miscellaneous	902	2,700	3,602
	<u>43,632</u>	<u>179,347</u>	<u>222,979</u>
 <b>Cash Disbursements</b>			
Current:			
General Government	52,364	1,778	54,142
Public Safety	1,100		1,100
Public Works		154,585	154,585
Health		12,389	12,389
Capital Outlay		7,000	7,000
Debt Service:			
Principal Retirement	9,619		9,619
Interest and Fiscal Charges	1,545		1,545
	<u>64,628</u>	<u>175,752</u>	<u>240,380</u>
<i>Total Cash Disbursements</i>	<u>64,628</u>	<u>175,752</u>	<u>240,380</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(20,996)</u>	<u>3,595</u>	<u>(17,401)</u>
 <b>Other Financing Receipts (Disbursements)</b>			
Transfers In	21,317	3,908	25,225
Transfers Out		(25,225)	(25,225)
	<u>21,317</u>	<u>(21,317)</u>	<u>0</u>
<i>Total Other Financing Receipts (Disbursements)</i>	<u>21,317</u>	<u>(21,317)</u>	<u>0</u>
 <i>Net Change in Fund Cash Balances</i>	<u>321</u>	<u>(17,722)</u>	<u>(17,401)</u>
 <i>Fund Cash Balances, January 1</i>	<u>3,743</u>	<u>142,464</u>	<u>146,207</u>
 <b>Fund Cash Balances, December 31</b>			
Restricted		124,742	124,742
Assigned	4,064		4,064
	<u>4,064</u>	<u>124,742</u>	<u>128,806</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 4,064</u>	<u>\$ 124,742</u>	<u>\$ 128,806</u>

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

**SALISBURY TOWNSHIP  
MEIGS 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)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 21,902	\$ 59,953	\$ 81,855
Intergovernmental	22,730	162,485	185,215
Earnings on Investments	296	32	328
Miscellaneous	4,842	3,800	8,642
<i>Total Cash Receipts</i>	49,770	226,270	276,040
<b>Cash Disbursements</b>			
Current:			
General Government	53,693	2,623	56,316
Public Safety	2,306		2,306
Public Works		140,597	140,597
Health		25,943	25,943
Capital Outlay		35,770	35,770
Debt Service:			
Principal Retirement	9,273		9,273
Capital Outlay	1,891		1,891
<i>Total Cash Disbursements</i>	67,163	204,933	272,096
<i>Net Change in Fund Cash Balances</i>	(17,393)	21,337	3,944
<i>Fund Cash Balances, January 1</i>	21,136	121,127	142,263
<b>Fund Cash Balances, December 31</b>			
Restricted		142,464	142,464
Assigned	3,743		3,743
<i>Fund Cash Balances, December 31</i>	\$ 3,743	\$ 142,464	\$ 146,207

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

**SALISBURY TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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 Salisbury Township, Meigs 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, and fire protection. The Township contracts with the Village of Middleport and the Village of Pomeroy to provide fire services.

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) is available to Ohio Townships. OTARMA provides property and casualty coverage of its members.

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 and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**SALISBURY TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**D. Fund Accounting**

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Cemetery Fund – This fund receives tax proceeds for the maintenance of the Township cemeteries.

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 2013 and 2012 budgetary activity appears in Note 3.

**F. 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.

**SALISBURY TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**F. Fund Balance (Continued)**

**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.

**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 balance also incorporates 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.

**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:

	<u>2013</u>	<u>2012</u>
Demand deposits	\$128,806	\$146,207

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

**SALISBURY TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,546	\$64,949	\$32,403
Special Revenue	169,165	183,255	14,090
Total	\$201,711	\$248,204	\$46,493

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,104	\$64,628	(\$12,524)
Special Revenue	289,798	200,977	88,821
Total	\$341,902	\$265,605	\$76,297

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,392	\$49,770	\$6,378
Special Revenue	231,605	226,270	(5,335)
Total	\$274,997	\$276,040	\$1,043

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$76,376	\$67,163	\$9,213
Special Revenue	312,739	204,933	107,806
Total	\$389,115	\$272,096	\$117,019

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$12,524, the FEMA Fund by \$8,652, and the Miscellaneous Special Revenue Fund by \$3,841 for the year ended December 31, 2013.

**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.

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

**SALISBURY TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Dump Truck Loan	\$31,108	3.73%

The Township obtained a business loan from Peoples Bank in 2011 to finance the purchase of a new dump truck. The Township's taxing authority collateralized the loan.

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

Year ending December 31:	Dump Truck Loan
2014	\$11,163
2015	11,163
2016	11,163
Total	\$33,489

**6. Retirement System**

The Township's 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 2013 and 2012, 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, 2013.

**7. 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 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**SALISBURY TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. 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 financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	(8,486,363)	(9,355,082)
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to computer 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.

<b><u>Contributions to OTARMA</u></b>	
<u>2013</u>	<u>2012</u>
\$6,920	\$6,333

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.



# 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

Salisbury Township  
Meigs County  
121 Fairlane Drive  
Middleport, Ohio 45760

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 Salisbury Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated March 2, 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 2013-001, 2013-002, and 2013-006 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 2013-001 through 2013-005.

***Entity's Response 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

March 2, 2015

**SALISBURY TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Noncompliance and Material Weakness**

Ohio Admin Code §§ 117-2-01(D)(3) and (5) require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Monthly reconciliations were performed by the Fiscal Officer; however, there were "Other Adjusting Factors" included in reconciliations which were not identified as to source.

"Other Adjusting Factors" included in the bank reconciliations by the Fiscal Officer totaled \$564 and \$6,990 during December 31, 2013 and December 31, 2012 respectively.

As a result, proof of cash procedures were required to be performed which identified that the "Other Adjusting Factors" were made up of the following:

- Checks were written as electronic checks and then actually cleared the Township's bank account as a check that was listed as voided in the UAN accounting system.
- Receipt posted twice in the accounting system.
- Adjustments to correct posting errors were made incorrectly.

Unidentified "Other Adjusting Factors" included in monthly reconciliations can result in cumbersome reconciliations and can lead to inaccurate balances and errors going undetected for long periods of time.

We also noted the Township had a check, #21-2012 dated September 9, 2012, in the amount of \$218 listed on the outstanding check listing that exceeded one year. This can cause additional reconciling items during the reconciliation process.

We recommend the Fiscal Officer prepare the monthly bank to book reconciliations in a timely manner. We also recommend the Fiscal Officer immediately investigate any "Other Adjusting Factors" to identify the cause and take necessary procedures to correct or properly record the item. We further recommend the Board of Trustees request, review and approve monthly reconciliations during monthly meetings of the Board of Trustees. We further recommend the Township periodically evaluate outstanding checks and void and reissue checks that have been outstanding more than one year.

**FINDING NUMBER 2013-002**

**Noncompliance and Material Weakness**

Ohio Admin. Code § 117-2-02(D)(4) provides that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records include the following:

- (a) Payroll records including:
  - (ii) 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 termination payment), and the fund and account charged for the payments.

**SALISBURY TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-002 (Continued)**

**Noncompliance Citation and Material Weakness - Ohio Admin. Code § 117-2-02(D)(4) (Continued)**

During testing we noted the Township did not maintain a manual payroll journal including the components listed in Ohio Administrative Code § 117-2-02(D)(4).

We recommend the Township maintain a manual payroll journal which includes all required information.

**FINDING NUMBER 2013-003**

**Noncompliance**

Ohio Rev. Code § 505.262(A) authorizes a board of township trustees to issue notes of the township to finance installment payment purchases of equipment, buildings, and sites for any lawful township purpose. All notes issued shall be pursuant to Ohio Rev. Code § 133.20. Furthermore, The Attorney General has opined that Ohio Rev. Code § 505.262(A) does not grant explicitly or implicitly the authority of the township to grant a security interest in the property purchased by the installment contract. See 1996 Op. Atty Gen. No. 1996-048.

In 2011, the Township signed a promissory note in the amount of \$50,000 (with an outstanding balance at 12/31/13 of \$11,163) with the Peoples Banking Company to help fund the purchase of a truck. This type of debt does not meet the criteria for any of the debt allowed in Ohio Revised Code Chapter 133.

The Ohio Revised Code contains various methods of incurring debt for townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for townships.

We recommend the Township contact its legal counsel before incurring future debt.

**FINDING NUMBER 2013-004**

**Noncompliance**

Ohio Rev. Code § 505.24(C) states, in part, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed. As explained in Auditor of State Bulletin 2013-002, townships allocating one hundred percent of officials' salaries to restricted funds will be subject to audit findings. Auditor of State Bulletin 2011-007 generally describes requirements under Ohio Rev. Code § 505.24(C).

During 2013, the Trustees did not complete the required certifications to support the Trustees being paid from the Gasoline Tax Fund during the months of August through December 2013. Township Trustees' salaries and fringe benefits, including insurance reimbursements, were paid from the Gasoline Tax Fund in the amount \$17,576.

**SALISBURY TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-004**

**Noncompliance – Ohio Rev. Code § 505.24(C) (Continued)**

The Fiscal Officer posted these adjustments to the Township's records and they are reflected in the accompanying financial statements.

We recommend the Board of Trustees and Fiscal Officer review Auditor of State Bulletins 2013-002 and 2011-007 regarding legislative changes governing Fiscal Officer and Trustee compensation and what is now required of Trustees and Fiscal Officers under the law. We further recommend each Trustee and Fiscal Officer complete the certification when compensated from funds other than the General Fund.

**FINDING NUMBER 2013-005**

**Noncompliance**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Expenditures exceeded appropriations as follows:

Year End Date	Fund	Budgetary Expenditures	Approved Appropriations	Amount by which Expenditures Exceed Appropriations
12/31/13	General	\$64,629	\$52,104	(\$12,525)
12/31/13	FEMA Fund	29,969	21,317	(8,652)
12/31/13	Misc. SR	3,908	67	(3,841)

Expenditures exceeding appropriations can result in overspending available resources and deficit fund balances.

We recommend the Fiscal Officer not certify the availability of funds or approve payment requests exceeding appropriations. The Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources if necessary.

**FINDING NUMBER 2013-006**

**Material Weakness**

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the reader of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

**SALISBURY TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-006 (Continued)**

**Material Weakness (Continued)**

In 2012:

- An adjustment identified during the prior audit was not made by the Fiscal Officer. The adjustment was to decrease the General Fund balance in the amount of \$7,539 and to increase the Road & Bridge Fund balance in the amount of \$3,540 and the Cemetery Fund balance in the amount of \$3,999.
- General Fund Balance of \$3,743 was reported as Unassigned and should have been reported as Assigned.
- General Fund intergovernmental receipts in the amount of \$1,866 were incorrectly posted as other financing sources in the Gas Tax Fund.
- General Fund earnings on investments receipts of \$220 and general government disbursements of \$31 were not posted.
- General Fund general government disbursements were overstated by \$468.
- Permissive Motor Vehicle License Tax Fund tax receipts in the amount of \$1,023 were incorrectly posted as intergovernmental receipts in the Motor Vehicle License Tax Fund.
- Motor Vehicle License Tax Fund intergovernmental receipts in the amount of \$4,122 were incorrectly posted as intergovernmental receipts in the Gas Tax Fund.
- Cemetery Fund health disbursements in the amount of \$1,500 were incorrectly posted as public works disbursements in the Permissive Motor Vehicle License Tax Fund.
- Gas Tax Fund public works disbursements were overstated by \$6,333.
- Motor Vehicle License Tax Fund intergovernmental receipts in the amount of \$969 were incorrectly posted as intergovernmental receipts in the Road and Bridge Fund.
- Motor Vehicle License Tax Fund intergovernmental receipts in the amount of \$345 were incorrectly posted as intergovernmental receipts in the General Fund.

In 2013:

- General Fund Balance of \$4,064 was reported as Unassigned and should have been reported as Assigned.
- General Fund general government disbursements were understated by \$6.
- Real Estate Rollback received was incorrectly posted entirely as intergovernmental receipts in the General Fund in the amount of \$7,826 but should have been posted to intergovernmental receipts in the Road & Bridge Fund in the amount of \$3,684 and the Cemetery Fund in the amount of \$4,142.
- Motor Vehicle License Tax Fund intergovernmental receipts in the amount of \$4,344 and Permissive Motor Vehicle License Tax Fund tax receipts in the amount of \$3,769 were incorrectly posted as intergovernmental receipts in the Gas Tax Fund.
- FEMA Fund intergovernmental receipts and public works disbursements in the amount of \$8,652 were incorrectly posted to the Road and Bridge Fund.
- Road and Bridge Fund public works disbursements were overstated by \$570.
- General Fund general government disbursements for Trustees' salaries and benefits in the amount of \$17,576 were incorrectly posted as general government disbursements in the Gas Tax Fund.

**SALISBURY TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-006 (Continued)**

**Material Weakness (Continued)**

The audited financial statements reflect the adjustments noted above and the Fiscal Officer posted the adjustments to the accounting system.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Township manual for guidance on the correct line item to post various receipts and expenditures of the Township.

**SALISBURY TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2011-001	Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Numerous errors were noted in the financial statements that required adjustment or reclassification.	No	Not Corrected – Reissued as Finding Number 2013-007



# Dave Yost • Auditor of State

**SALISBURY TOWNSHIP**

**MEIGS 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  
APRIL 14, 2015**