



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
37940 State Route 124
Pomeroy, Ohio 45769

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 Salisbury Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014.

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 opinions.

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 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, 2015 and 2014, or changes in financial position thereof for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

As described in Finding 2015-001 and 2015-003 in the accompanying Schedule of Findings, the Fiscal Officer and Board of Trustees did not comply with requirements of Ohio Rev. Code §§ 505.24(C) and 507.09(C) of completing payroll certifications when salaries, fringe benefits, and insurance reimbursements were paid from funds other than the General fund for 2014 and 2015.

The Fiscal Officer's salaries and fringe benefits were paid from the Gasoline Tax Fund from April through December 2015 in the amount of \$11,025 and should have been paid from the General Fund.

The Trustees' salaries, fringe benefits, and insurance reimbursements were paid from the Gasoline Tax Fund from April through December 2015 in the amount of \$11,616 and should have been paid from the General Fund. In addition, one Trustee's insurance reimbursements were paid from the Gasoline Tax fund in 2014 totaling \$6,416 and should have been paid from the General Fund. Due to the impact the above adjustments would have on the General Fund, the Township declined to make these adjustments.

Furthermore, as described in Finding 2015-007 in the accompanying Schedule of Findings, the Fiscal Officer posted receipts and disbursements incorrectly to the wrong funds resulting in the December 31, 2015 fund balances in the General Fund, Road and Bridge Fund, and Cemetery Fund being understated by \$2,974, 2,904, and \$3,397, respectively, and the Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Permissive Motor Vehicle License Tax Fund being understated by \$1,949, 6,424, and \$902, respectively. Due to the impact these adjustments would have on the various funds, the Township declined to make these adjustments this audit period.

Had the posting errors noted in the preceding paragraphs been properly posted to the financial statements and the accounting system, the General Fund, Road and Bridge Fund, and Cemetery Fund cash fund balances would have decreased \$32,031, \$2,904, and \$3,397, respectively, and the Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Permissive Motor Vehicle License Tax Fund cash fund balances would have increased \$1,949, \$35,481, and \$902, respectively.

Opinion on Regulatory Basis of Accounting

In our opinion, because of the effects of the December 31, 2015 and 2014 fund cash balance misstatements discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraphs, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Salisbury Township, Meigs County, Ohio, as of December 31, 2015 and 2014, 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 January 24, 2017, 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

January 24, 2017

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**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, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$21,830	\$57,314	\$79,144
Charges for Services	125	0	125
Intergovernmental	30,920	99,836	130,756
Earnings on Investments	27	39	66
Miscellaneous	269	3,187	3,456
<i>Total Cash Receipts</i>	<u>53,171</u>	<u>160,376</u>	<u>213,547</u>
Cash Disbursements			
Current:			
General Government	14,279	38,162	52,441
Public Works	114	105,106	105,220
Health	0	36,889	36,889
Capital Outlay	0	34,700	34,700
Debt Service:			
Principal Retirement	2,592	7,776	10,368
Interest and Fiscal Charges	199	597	796
<i>Total Cash Disbursements</i>	<u>17,184</u>	<u>223,230</u>	<u>240,414</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>35,987</u>	<u>(62,854)</u>	<u>(26,867)</u>
<i>Net Change in Fund Cash Balances</i>	35,987	(62,854)	(26,867)
<i>Fund Cash Balances, January 1</i>	<u>(16,732)</u>	<u>158,622</u>	<u>141,890</u>
Fund Cash Balances, December 31			
Restricted	0	80,043	80,043
Committed	0	15,725	15,725
Assigned	19,255	0	19,255
<i>Fund Cash Balances, December 31</i>	<u>\$19,255</u>	<u>\$95,768</u>	<u>\$115,023</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, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$23,094	\$61,921	\$85,015
Intergovernmental	20,242	107,686	127,928
Earnings on Investments	47	210	257
Miscellaneous	3,108	2,750	5,858
<i>Total Cash Receipts</i>	<u>46,491</u>	<u>172,567</u>	<u>219,058</u>
Cash Disbursements			
Current:			
General Government	55,050	6,597	61,647
Public Works	1,074	117,422	118,496
Health	0	18,917	18,917
Debt Service:			
Principal Retirement	9,987	0	9,987
Interest and Fiscal Charges	1,176	0	1,176
<i>Total Cash Disbursements</i>	<u>67,287</u>	<u>142,936</u>	<u>210,223</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(20,796)</u>	<u>29,631</u>	<u>8,835</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	0	4,249	4,249
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>4,249</u>	<u>4,249</u>
<i>Net Change in Fund Cash Balances</i>	(20,796)	33,880	13,084
<i>Fund Cash Balances, January 1</i>	<u>4,064</u>	<u>124,742</u>	<u>128,806</u>
Fund Cash Balances, December 31			
Restricted	0	140,609	140,609
Committed	0	18,013	18,013
Unassigned (Deficit)	(16,732)	0	(16,732)
<i>Fund Cash Balances, December 31</i>	<u><u>(\$16,732)</u></u>	<u><u>\$158,622</u></u>	<u><u>\$141,890</u></u>

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

**SALISBURY TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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 the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. 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 has one primary, interest bearing checking account.

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.

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.

**SALISBURY TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into four 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.

**SALISBURY TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

2. Committed

Trustees can *commit* amounts via formal action (resolution). The Cemetery 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.

3. 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.

4. 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>2015</u>	<u>2014</u>
Demand deposits	<u>\$115,023</u>	<u>\$141,890</u>

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

**SALISBURY TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,193	\$53,171	\$16,978
Special Revenue	153,525	160,379	6,854
Total	\$189,718	\$213,550	\$23,832

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$66,129	\$17,184	\$48,945
Special Revenue	289,155	223,230	65,925
Total	\$355,284	\$240,414	\$114,870

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,976	\$46,491	(\$11,485)
Special Revenue	171,259	176,816	5,557
Total	\$229,235	\$223,307	(\$5,928)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,163	\$67,287	\$9,876
Special Revenue	251,383	142,936	108,447
Total	\$328,546	\$210,223	\$118,323

Contrary to Ohio Rev. Code § 5705.39, appropriations exceeded estimated receipts in several funds during 2015 and 2014.

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, 2015 AND 2014
(Continued)**

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Dump Truck Loan	\$11,134	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
2016	\$11,163
Total	\$11,163

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 plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, 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, 2015.

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, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**SALISBURY TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(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's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$6,000.

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

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$7,018	\$6,808

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.

8. CONTRACTUAL COMMITMENT

On August 11, 2015, the Township entered into a cooperative agreement with Meigs County for the round 30 paving project. The Township will provide funds totaling 12.9% or \$68,971 for the project. The project was not completed as of December 31, 2015.



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
37940 State Route 124
Pomeroy, Ohio 45769

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 the cash balances, receipts, and disbursements by fund type of Salisbury Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated January 24, 2017, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We issued an adverse opinion on the financial statements for 2015 and 2014 due to the Township declining to make adjustments to the General, Road and Bridge and Cemetery funds in the amount of \$32,031, \$2,904, and \$3,397, respectively, and in favor of the Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Permissive Motor Vehicle License Tax Fund of \$1,949, \$35,481, and \$902, respectively.

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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2015-001, 2015-003, 2015-006 and 2015-007 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 2015-001 through 2015-007.

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

January 24, 2017

**SALISBURY TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Finding for Adjustment/Noncompliance/Material Weakness

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.

For 2014, the Board of Trustees were paid 100% from the General Fund. However, one Trustee received insurance reimbursement totaling \$6,416 that was paid 100% from the Gasoline Tax Fund which did not agree to how the Trustee's salary was paid.

During 2015, two Trustees did not complete the required certifications for two months and one Trustee did not complete the required certifications for nine months to support the Trustees being paid from the Gasoline Tax Fund during those months. Trustees' salaries and fringe benefits paid were paid from the Gasoline Tax Fund in the amount of \$10,618 during these months. Furthermore, Trustee insurance reimbursements were paid from the Gasoline Tax Fund in the amount of \$998 during these months.

In accordance with the foregoing facts, a Finding for Adjustment is hereby issued against the Township's General Fund in the amount of \$18,032 and in favor of the Gasoline Tax Fund.

The Fiscal Officer has not posted these adjustments to the Township records, and therefore, they are not reflected in the accompanying financial statements.

The Fiscal Officer should review Auditor of State Bulletins 2013-002 and 2011-007 regarding legislative changes governing township fiscal officer and trustee compensation and what is required of Township trustees and fiscal officers under the law. Each township trustee and fiscal officer should complete the required certification when compensated from funds other than the General Fund. Furthermore, the allocation to the General Fund should be a reasonable and rational percentage. Failure to post the above noted audit adjustments resulted in an adverse opinion.

FINDING NUMBER 2015-002

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 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.

**SALISBURY TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-002 (Continued)

Noncompliance – Ohio Rev. Code § 505.262(A) (Continued)

In 2011, the Township signed a promissory note in the amount of \$50,000 (with an outstanding balance at 12/31/15 of \$11,134) 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.

The Board of Trustees should authorize only the issuance of notes pursuant to Ohio Rev. Code § 133.20.

FINDING NUMBER 2015-003

Finding for Adjustment/Noncompliance/Material Weakness

Ohio Rev. Code § 507.09(C) states the township fiscal officer shall be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each Fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed.

For 2015, the Fiscal Officer's salary was paid one hundred percent from the General Fund for January through March. For April through December, the Fiscal Officer's salary and fringe benefits were paid one hundred percent from the Gasoline Tax Fund in the amount of \$11,025 which the Fiscal Officer did not follow the requirements of Ohio Rev. Code § 505.24(C), nor did the Fiscal Officer maintain time and effort documentation.

In accordance with the foregoing facts, a Finding for Adjustment is hereby issued against the Township's General Fund in the amount of \$11,025 and in favor of the Gasoline Tax Fund.

The Fiscal Officer has not posted these adjustments to the Township records, and therefore, they are not reflected in the accompanying financial statements.

The Fiscal Officer should review Auditor of State Bulletins 2013-002 and 2011-007 and adopt formal administrative procedures regarding completion of the required certifications when compensated from funds other than the General Fund. Failure to post the above noted audit adjustments resulted in an adverse opinion.

**SALISBURY TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-004 (Continued)

Noncompliance

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate certificate.

Appropriations exceeded estimated resources as follows at December 31, 2015:

	Estimated Resources	Appropriation Authority	Variance
General Fund	\$ 51,412	\$ 66,128	\$ (14,716)
Gasoline Tax Fund	123,106	126,138	(3,032)
Road and Bridge Fund	33,272	38,488	(5,216)
Cemetery Fund	69,000	89,114	(20,114)

Appropriations exceeded estimated resources as follows at December 31, 2014:

	Estimated Resources	Appropriation Authority	Variance
Gasoline Tax Fund	\$ 106,370	\$ 116,393	\$ (10,023)
Road and Bridge Fund	30,916	32,937	(2,021)
Cemetery Fund	73,143	74,882	(1,739)

The Fiscal Officer and Board of Trustees should monitor estimated resources and appropriations to ensure all appropriations are less than the estimated resources prior to approval. Furthermore, the Fiscal Officer should file permanent appropriations and amendments with the County Auditor and obtain a certificate from the County Auditor indicating whether appropriations exceed resources.

FINDING NUMBER 2015-005

Noncompliance

Ohio Admin Code § 117-2-01(D)(3) and (5) states 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 not performed by the Fiscal Officer in a timely manner. The reconciliations for January and February 2015 were completed on March 26, 2015. March through December 2015 reconciliations were completed January 15, 2016.

Monthly reconciliations for January through April 2014 were reconciled on May 14, 2014. The May 2014 reconciliation was done on June 24, 2014. June through November, 2015 reconciliations were done on January 22, 2015. The December, 2014 reconciliation was done on February 4, 2015.

Not performing monthly reconciliations in a timely manner can result in cumbersome reconciliations and can lead to inaccurate balances and errors going undetected for long periods of time.

**SALISBURY TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-005 (Continued)

Noncompliance – Ohio Admin. Code § 117-2-01(D)(3) and (5) (Continued)

There were four outstanding checks that were older than six months old on the December 2015 reconciliation and five checks that were older than six months old on the December 2014 reconciliation. Having checks that are older than six months on the reconciliation can result in cumbersome reconciliations.

Furthermore, the Township posted payments to UAN two times during the year in 2014. In 2014, payments were posted on May 14, 2014 and June 24, 2014. The remaining 2014 payments were posted January 22, 2015. In 2015, ten electronic fund transfers (EFTs) payments were not posted until January 14, 2016. Starting in March, checks were posted in a timely manner for 2015.

Untimely posting of payments can result in the UAN not being up to date and in cumbersome reconciliations.

The Fiscal Officer should perform a monthly reconciliation to avoid errors. In addition, the Fiscal Officer should enter payments into the UAN system when manual checks are written, and also when a payment is made electronically (EFT). Payments need to be posted to the UAN in a timely manner so that reconciliations can be performed monthly. Furthermore, the Township should periodically evaluate outstanding checks and void and reissue checks that have been outstanding more than one year.

FINDING NUMBER 2015-006

Noncompliance/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, 2015, estimated receipts as approved by the Budget Commission did not agree to the Township's accounting system. The variances and funds are as follows:

	Approved	UAN system	Variance
General Fund	\$ 36,193	\$ 50,910	\$ 14,717
Motor Vehicle License Fund	22,367	11,400	(10,967)
Gasoline Tax Fund	83,988	87,020	3,032
Road and Bridge Fund	22,084	27,300	5,216
Cemetery Fund	12,086	32,200	20,114
Permissive Motor Vehicle License Tax Fund	13,000	12,003	(997)

At December 31, 2014, estimated receipts as approved by the Budget Commission did not agree to the Township's accounting system. The variances and funds are as follows:

**SALISBURY TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-006 (Continued)

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

	Approved	UAN system	Variance
General Fund	\$ 57,976	\$ 41,330	\$ 16,646
Motor Vehicle License Fund	22,882	8,000	14,882
Gasoline Tax Fund	82,995	93,018	(10,023)
Road and Bridge Fund	22,379	28,649	(6,270)
Cemetery Fund	29,261	31,000	(1,739)
Permissive Motor Vehicle License Tax Fund	13,742	10,005	3,737

At December 31, 2015, approved appropriations did not agree to the Township's ledgers as follows:

	Approved	UAN system	Variance
Road and Bridge Fund	\$ 38,488	\$ 39,788	\$ 1,300

Due to budgetary information being improperly entered into the system, the management of the Township lost some degree of budgetary control. An adjustment was made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as approved by the Budget Commission.

The Fiscal Officer should accurately post estimated receipts as certified by the County Budget Commission and appropriations as approved by the Board, only after receiving approval. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

FINDING NUMBER 2015-007

Finding for Adjustment/Noncompliance/Material Weakness

Ohio Admin. Code § 117-2-02(A) requires all local 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 required by § 117-2-03 of the Administrative Code.

As a result of the audit procedures performed, the financial statements had the following errors that required reclassification.

In 2014:

- General Fund January 1, 2014 beginning fund balance was overstated \$30,769 in comparison with the audited December 31, 2013 ending fund balance;
- General Fund intergovernmental receipt of \$1,000 was incorrectly reported as miscellaneous;
- Motor Vehicle License Tax Fund January 1, 2014 beginning fund balance was understated \$8,757 in comparison with the audited December 31, 2013 ending fund balance;
- Gasoline Tax Fund January 1, 2014 beginning fund balance was understated \$9,808 in comparison with the audited December 31, 2013 ending fund balance;

**SALISBURY TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-007 (Continued)

**Finding for Adjustment/Noncompliance/Material Weakness – Ohio Admin. Code § 117-2-02(A)
(Continued)**

- Road & Bridge Fund January 1, 2014 beginning fund balance was understated \$6,825 in comparison with the audited December 31, 2013 ending fund balance;
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.170 requires reporting amounts to be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority as committed. The Township reported the Road and Bridge fund balance as restricted instead of committed, in the amount of \$18,013.
- Cemetery Fund January 1, 2014 beginning fund balance was understated \$6,641 in comparison with the audited December 31, 2013 ending fund balance; and
- Permissive Motor Vehicle License Tax Fund January 1, 2014 beginning fund balance was understated \$6,292 in comparison with the audited December 31, 2013 ending fund balance.

In 2015:

- General Fund debt service principal disbursement of \$95 was incorrectly reported as interest;
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Township improperly reported the assigned portion of the General Fund's cash fund balance as unassigned, in the amount of \$19,255;
- Motor Vehicle License Tax Fund debt service principal of \$95 was incorrectly reported as interest;
- Gasoline Tax Fund debt service principal of \$95 was incorrectly reported as interest;
- Road and Bridge Fund debt service principal of \$95 was incorrectly reported as interest; and
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.170 requires reporting amounts to be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority as committed. The Township reported the Road and Bridge fund balance as restricted instead of committed, in the amount of \$15,725.

The audited financial statements have been adjusted for the items noted above.

In addition, as a result of the audit procedures performed, the financial statements had the following errors that required audit adjustments.

In 2014:

- Motor Vehicle License Tax Fund intergovernmental receipt of \$1,082 was incorrectly posted as Gasoline Tax Fund intergovernmental.

In 2015:

- General Fund intergovernmental receipts and general governmental disbursements were overstated \$3,591 and \$617, respectively due to the incorrect posting of two receipts;

**SALISBURY TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-007 (Continued)

**Finding for Adjustment/Noncompliance/Material Weakness – Ohio Admin. Code § 117-2-02(A)
(Continued)**

- Motor Vehicle License Tax Fund intergovernmental receipts were understated \$867 due to the incorrect posting of two receipts;
- Gasoline Tax Fund intergovernmental receipts were understated \$7,506 due to the incorrect posting of two receipts;
- Road and Bridge Fund intergovernmental receipts and general government disbursements were overstated \$3,498 and \$594, respectively, due to the incorrect posting of two receipts;
- Cemetery Fund intergovernmental receipts and general government disbursements were overstated \$4,091 and \$694, respectively, due to the incorrect posting of two receipts; and
- Permissive Motor Vehicle License Tax Fund intergovernmental receipts were understated \$902 due to the incorrect posting of one receipt.

The Township Fiscal Officer has not posted these adjustments to the Township records, and, therefore, they are not reflected in the accompanying financial statements.

In accordance with the foregoing facts, a Finding for Adjustment is hereby issued against the Township's General Fund in the amount of \$2,974, in the Road and Bridge Fund in the amount of \$2,904, and the Cemetery Fund in the amount of \$3,397 in favor of the Motor Vehicle License Tax Fund in the amount of \$1,949, Gasoline Tax Fund in the amount of \$6,424, and the Permissive Motor Vehicle License Tax Fund in the amount of \$902. Failure to post the adjustments noted above resulted in an adverse opinion.

The Fiscal Officer should review the Township handbook for guidance to ensure the financial statements are complete and accurate. The Fiscal Officer should also review Auditor of State Bulletin 2011-004 for Statement No. 54 of the Governmental Accounting Standards Board (GASB) for proper reporting of fund balances on the financial statements [see GASB Cod. 1800.165 and 1800.170].

Officials' Response: We did not receive a response from Officials to the findings reported above.

**SALISBURY TOWNSHIP
MEIGS COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Noncompliance/Material Weakness of Ohio Admin Code §§ 117-2-01(D)(3)(5) for not preparing timely monthly reconciliations that included other adjusting factors.	No	Partially Corrected. Reissued as Finding Number 2015-005.
2013-002	Noncompliance/Material Weakness of Ohio Admin Code § 117-2-02(D)(4) for not including the required components of a manual payroll journal.	Yes	
2013-003	Noncompliance for Ohio Rev. Code § 505.262(A) unallowable type of debt.	No	Not Corrected. Reissued as Finding Number 2015-002.
2013-004	Noncompliance for Ohio Rev. Code § 505.24(C) – failure to complete payroll certifications.	No	Not Corrected; Reissued as Finding Number 2015-001
2013-005	Noncompliance for Ohio Rev. Code § 5705.41(B) – disbursements exceeded appropriations.	Yes	
2013-006	Material weakness for incorrect posting of receipts and disbursements.	No	Not Corrected. Reissued as Finding Number 2015-007



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
FEBRUARY 14, 2017**