



**Auditor of State  
Betty Montgomery**



**SALEM TOWNSHIP  
OTTAWA COUNTY**

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**Auditor of State  
Betty Montgomery**

Salem Township  
Ottawa County  
11650 W. Portage River South Road  
P.O. Box 417  
Oak Harbor, Ohio 43449-0417

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

November 20, 2006

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Salem Township  
Ottawa County  
11650 W. Portage River South Road  
P.O. Box 417  
Oak Harbor, Ohio 43449-0417

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Ottawa County, (the Township) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004.

While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Salem Township, Ottawa County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

November 20, 2006



**SALEM TOWNSHIP  
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$61,651	\$236,918	\$298,569
Intergovernmental	123,159	120,146	243,305
Licenses, Permits, and Fees	1,848	28,252	30,100
Earnings on Investments	2,878	933	3,811
Other Revenue	7,637	16,626	24,263
	<u>197,173</u>	<u>402,875</u>	<u>600,048</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
General Government	77,844		77,844
Public Works	54,512	185,552	240,064
Health	10,934	63,275	74,209
Capital Outlay		35,528	35,528
	<u>143,290</u>	<u>284,355</u>	<u>427,645</u>
<b>Total Cash Disbursements</b>			
Excess of Cash Receipts Over Cash Disbursements	53,883	118,520	172,403
Fund Cash Balances, January 1	109,114	336,948	446,062
<b>Fund Cash Balances, December 31</b>	<u><b>\$162,997</b></u>	<u><b>\$455,468</b></u>	<u><b>\$618,465</b></u>

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

**SALEM TOWNSHIP  
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$60,575	\$242,596		\$303,171
Intergovernmental	73,288	117,250		190,538
Licenses, Permits, and Fees	4,716	23,789		28,505
Fines, Forfeitures, and Penalties	700			700
Earnings on Investments	2,219	553		2,772
Other Revenue	9,235	12,400		21,635
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	150,733	396,588		547,321
<b>Cash Disbursements:</b>				
Current:				
General Government	87,107			87,107
Public Works	69,669	114,575		184,244
Health	9,720	62,132		71,852
Capital Outlay	27,671	79,881		107,552
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	194,167	256,588		450,755
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(43,434)	140,000		96,566
<b>Other Financing Receipts and (Disbursements):</b>				
Sale of Fixed Assets	18,500			18,500
Other Uses			(15,966)	(15,966)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	18,500		(15,966)	2,534
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(24,934)	140,000	(15,966)	99,100
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	134,048	196,948	15,966	346,962
<b>Fund Cash Balances, December 31</b>	<hr/>	<hr/>	<hr/>	<hr/>
	<b>\$109,114</b>	<b>\$336,948</b>		<b>\$446,062</b>

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

**SALEM TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Salem Township, Ottawa County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, and general governmental services.

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

**B. Basis of Accounting**

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash 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.

The Township values certificates of deposit at cost.

**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 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 trusts that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**SALEM TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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

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

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

**3. Fiduciary Fund (Agency Fund)**

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Portage Joint Fire District Agency Fund - This fund accounts for intergovernmental monies from the State that will be forwarded to the Portage Joint Fire District.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund, except agency funds, 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. 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 2005 and 2004 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**SALEM TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH**

The Township maintains a cash pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2005	2004
Demand deposits	\$615,465	\$443,062
Certificates of deposit	3,000	3,000
Total deposits and investments	\$618,465	\$446,062

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$145,754	\$197,173	\$51,419
Special Revenue	357,406	402,875	45,469
Total	\$503,160	\$600,048	\$96,888

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$254,000	\$143,290	\$110,710
Special Revenue	692,900	284,355	408,545
Total	\$946,900	\$427,645	\$519,255

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$141,524	\$169,233	\$27,709
Special Revenue	333,606	396,588	62,982
Total	\$475,130	\$565,821	\$90,691

**SALEM TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY – (Continued)**

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$301,480	\$194,167	\$107,313
Special Revenue	519,783	256,588	263,195
Total	\$821,263	\$450,755	\$370,508

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. RETIREMENT SYSTEM**

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

Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, members of OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive Property and General Liability.
- Vehicles.
- Official's Liability
- Inland Marine
- Commercial Umbrella Coverage.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Salem Township  
Ottawa County  
11650 W. Portage River South Road  
P.O. Box 417  
Oak Harbor, Ohio 43449-0417

To the Board of Trustees:

We have audited the financial statements of Salem Township, Ottawa County, (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 20, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated November 20, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance of other matter that we must report under *Government Auditing Standards* which is described in the accompany schedule of findings as item 2005-001. In a separate letter to the Township's management dated November 20, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

November 20, 2006



**SALEM TOWNSHIP  
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-001**

**Finding for Recovery Repaid Under Audit**

Ohio Revised Code § 507.09 sets the 2004 salary for township fiscal officers in townships with a budget between \$750,000.01 and \$1,500,000 as follows. For fiscal officers whose terms were April 1, 2000, to March 31, 2004, and then started a new term of April 1, 2004, to March 31, 2008, the fiscal officer is due \$3,714.24 for January 1, 2004 to March 31, 2004 and \$11,547 for April 1, 2004 to December 31, 2004, for a total amount due of \$14,261.24. The 2005 salary for township fiscal officers in townships with a budget between \$750,000.01 and \$1,500,000 is \$15,766.

For 2004, Township Fiscal Officer, Wendy Wilburn, was compensated \$15,396 resulting in an overpayment of \$134.76.

For 2005, Township Fiscal Officer, Wendy Wilburn, was compensated \$15,860 resulting in an overpayment of \$94.

The total of the two overpayments amounts to \$228.76.

In accordance with the forgoing facts and pursuant to O.R.C. §117.28, a finding for recovery for public money illegally expended is hereby issued against Wendy Wilburn, Township Fiscal Officer, and State Auto Insurance Company, her surety, jointly and severally, in the amount of \$228.76, in favor of the Township Treasury.

The Fiscal Officer repaid the finding on November 9, 2006.

**Official's Response:**

The basis of my error was incorrectly calculating my annual increase effective January 1 as opposed to April 1. This error was compounded by my miscalculation of the allowable increase set forth by the Auditor of State's Office as stated in the Ohio Revised Code. It was not my intent to purposely overpay myself but it is my duty to protect the Township funds and therefore I understand the seriousness of my actions.





**Auditor of State  
Betty Montgomery**

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**SALEM TOWNSHIP**

**OTTAWA 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 12, 2006**