

**SALEM TOWNSHIP
WYANDOT COUNTY, OHIO**

FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Trustees
Salem Township
13011 Township Highway 54
Upper Sandusky, Ohio 43351

We have reviewed the *Independent Auditors' Report* of Salem Township, Wyandot County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Salem Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 25, 2013

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**Salem Township
Wyandot County, Ohio**

**For the Years Ended
December 31, 2012 and 2011**

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Independent Auditors' Report

Salem Township
Wyandot County, Ohio

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe the audit evidence that 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 ORC Section 117.38 and OAC Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Salem Township, Wyandot County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions ORC Section 117.38 and OAC Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 Salem Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, 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.

Wolf, Rogers, Dickey & Co.
Certified Public Accountants

June 21, 2013

**Salem Township
Wyandot County, Ohio
Combined Statement of Receipts, Disbursements and
Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:			
Property and other local taxes	\$ 5,826	46,585	52,411
Intergovernmental	29,510	107,335	136,845
Earnings on investments	9	6	15
Miscellaneous	<u>250</u>	<u>-</u>	<u>250</u>
Total cash receipts	35,595	153,926	189,521
Cash disbursements:			
Current:			
General government	6,381	2,735	9,116
Public safety	1,050	15,139	16,189
Public works	-	112,935	112,935
Health	3,785	-	3,785
Capital outlay	<u>-</u>	<u>3,218</u>	<u>3,218</u>
Total cash disbursements	<u>11,216</u>	<u>134,027</u>	<u>145,243</u>
Total receipts over disbursements	24,379	19,899	44,278
Other financing receipts	<u>1,457</u>	<u>-</u>	<u>1,457</u>
Total receipts and financing over disbursements	<u>25,836</u>	<u>19,899</u>	<u>45,735</u>
Fund cash balances, January 1	<u>16,813</u>	<u>59,032</u>	<u>75,845</u>
Fund cash balances, December 31			
Restricted	-	78,931	78,931
Unassigned	<u>42,649</u>	<u>-</u>	<u>42,649</u>
Fund cash balances, December 31	\$ <u>42,649</u>	<u>78,931</u>	<u>121,580</u>

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

**Salem Township
Wyandot County, Ohio
Combined Statement of Receipts, Disbursements and
Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:				
Property and other local taxes	\$ 5,853	27,303	-	33,156
Intergovernmental	29,698	105,004	30,816	165,518
Earnings on investments	<u>14</u>	<u>18</u>	<u>-</u>	<u>32</u>
Total cash receipts	35,565	132,325	30,816	198,706
Cash disbursements:				
Current:				
General government	18,908	-	-	18,908
Public safety	17,803	-	-	17,803
Public works	-	145,320	30,816	176,136
Health	3,723	-	-	3,723
Capital outlay	<u>-</u>	<u>8,662</u>	<u>-</u>	<u>8,662</u>
Total cash disbursements	<u>40,434</u>	<u>153,982</u>	<u>30,816</u>	<u>225,232</u>
Total receipts over (under) disbursements	(4,869)	(21,657)	-	(26,526)
Other financing receipts	<u>3,789</u>	<u>-</u>	<u>-</u>	<u>3,789</u>
Total receipts and financing over (under) disbursements	<u>(1,080)</u>	<u>(21,657)</u>	<u>-</u>	<u>(22,737)</u>
Fund cash balances, January 1	<u>17,893</u>	<u>80,689</u>	<u>-</u>	<u>98,582</u>
Fund cash balances, December 31				
Restricted	-	59,032	-	59,032
Unassigned	<u>16,813</u>	<u>-</u>	<u>-</u>	<u>16,813</u>
Fund cash balances, December 31	\$ <u>16,813</u>	<u>59,032</u>	<u>-</u>	<u>75,845</u>

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

**Salem Township
Wyandot County, Ohio
Notes to the Financial Statements
December 31, 2012 and 2011**

(1) Summary of Significant Accounting Policies

Description of the Entity

Salem Township, Wyandot County, Ohio (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. The Township contracts with Richland Township, Wyandot County Ohio and the City of Upper Sandusky, Ohio for fire services.

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

Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State of Ohio.

Cash

The Township maintains an interest bearing checking account at a financial institution.

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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Salem Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2012 and 2011**

(1) Summary of Significant Accounting Policies, continued

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Motor Vehicle License Tax Fund – This fund receives vehicle registration tax money.

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

Road and Bridge Fund – This fund receives property tax and other revenues collected to construct, maintain and repair Township roads.

Special Levy Fund (Fire Protection) – This fund receives fire protection levy tax money to pay for fire protection services and equipment.

Capital Projects Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except for those financed through enterprise or trust funds). The Township had the following Capital Project Fund:

Issue I Fund – The Township received a grant from the State of Ohio to repair Township roads.

Budgetary Process

The Ohio Revised Code (ORC) requires each fund to be budgeted annually.

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.

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.

**Salem Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2012 and 2011**

(1) Summary of Significant Accounting Policies, continued

Budgetary Process, continued

Encumbrances

The ORC requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

Fund Balance Reserves

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are contractually required to be maintained intact.

Restricted – Fund balance is reported as 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.

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.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by ordinance, or by State Statute.

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

**Salem Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2012 and 2011**

(1) Summary of Significant Accounting Policies, continued

Fund Balance Reserves, continued

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.

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

(2) Change in Accounting Principle

For the year ended December 31, 2011, the Township has adopted Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in no changes to fund balances at December 31, 2010 as previously reported.

(3) Equity in Pooled Cash

The Township maintains a cash pool used by all funds. The ORC prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	<u>2012</u>	<u>2011</u>
Demand deposits	\$ <u>121,580</u>	<u>75,845</u>

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

(4) Budgetary Activity

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

Salem Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2012 and 2011

(4) Budgetary Activity, continued

2012 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 26,321	37,052	10,731
Special Revenue	<u>123,000</u>	<u>153,926</u>	<u>30,926</u>
Total	\$ <u>149,321</u>	<u>190,978</u>	<u>41,657</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 46,980	11,216	35,764
Special Revenue	<u>178,185</u>	<u>134,027</u>	<u>44,158</u>
Total	\$ <u>225,165</u>	<u>145,243</u>	<u>79,922</u>

2011 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 31,839	39,354	7,515
Special Revenue	114,500	132,325	17,825
Capital Projects	<u>-</u>	<u>30,816</u>	<u>30,816</u>
Total	\$ <u>146,339</u>	<u>202,495</u>	<u>56,156</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 55,090	40,434	14,656
Special Revenue	189,825	153,982	35,843
Capital Projects	<u>-</u>	<u>30,816</u>	<u>(30,816)</u>
Total	\$ <u>244,915</u>	<u>225,232</u>	<u>19,683</u>

**Salem Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2012 and 2011**

(5) Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State of Ohio, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property 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.

(6) Retirement Systems

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the ORC.

Contribution rates are also prescribed by the ORC. For 2012 and 2011, OPERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

(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 Workers' 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. (formerly 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.

**Salem Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2012 and 2011**

(7) Risk Management, continued

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$ 34,771,270	35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Net Assets	\$ <u>25,416,188</u>	<u>25,367,373</u>

At December 31, 2012 and 2011, respectively, liabilities above include approximately \$8.7 million and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.9 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, 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 \$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.

Contributions to OTARMA

2010	2,985
2011	3,691
2012	3,547

**Salem Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2012 and 2011**

(7) Risk Management, continued

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 60 days written notice to OTARMA. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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) Commitments

The Township contracts with Richland Township, Wyandot County, Ohio for fire protection services pursuant to a three year contract that commenced on April 1, 2011. Terms of the contract require annual payments of \$7,500.

The Township also contracts with the City of Upper Sandusky, Ohio for fire protection services pursuant to a three year contract that commenced on July 2010. Terms of the contract require annual payments of \$7,639.

(9) Subsequent Events

Subsequent events have been evaluated through June 21, 2013, which is the date the financial statements were available to be issued.

(10) Compliance

Contrary to Ohio law:

- Funds were not encumbered for all disbursements.
- Material reclassifications to the financial statements were necessary in order for them to be fairly stated.
- Issue I funds were not appropriated for 2011, causing expenditures to exceed appropriations in the Capital Projects Fund.
- Appropriations exceeded estimated resources by \$3,845 and \$5,359 in the General Fund in 2012 and 2011, respectively.

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Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Required By Government Auditing Standards

Salem Township
Wyandot County, Ohio

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Salem Township, Wyandot County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2013, wherein we noted the Township followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. In addition, we noted that in 2011 the Township adopted Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 combination of deficiencies in internal control 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 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 2012-01 and 2012-02 to be significant deficiencies in internal control over financial reporting as described in accompanying Schedule of Findings.

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. Given these limitations, we did not identify any deficiencies in

Internal Control Over Financial Reporting, continued

internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as Findings 2012-02 through 2012-04.

The Township's response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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.

Wolf, Rogers, Dickey & Co.
Certified Public Accountants

June 21, 2013

**Salem Township
Wyandot County, Ohio
Schedule of Findings
December 31, 2012 and 2011**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2012-01
Significant deficiency

Tangible personal property money was included as Local Taxes instead of Intergovernmental. Appendix IV of the Ohio Township Handbook details the proper coding for these receipts. In order for the audited financial statements to be fairly stated, these amounts have been reclassified. Total reclassifications were \$3,747 and \$5,058 for 2012 and 2011, respectively.

Response by Township

No written response received.

Finding Number 2012-02
Significant deficiency/noncompliance

ORC Section 5705 sets forth a method that provides for a uniform budget and appropriation process in order to assure that the government entity expends no more than it expects to receive in revenue. In order to accomplish this, all appropriations must be accounted to and from each appropriation fund. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded. Thus, a procedure is still required to account for receipt and expenditure. That method is an amendment of, or a supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation. An original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, that measure also requires legislative action. In 2011, the Township was the beneficiary of \$30,816 of Issue I money through the Wyandot County Auditor. This activity was not recorded on the ledgers of the Township. Since the County paid the invoices, the Township did not receive this cash.

However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Township applies for a project and has administrative responsibilities. The accompanying financial statements were adjusted to reflect these amounts in a Capital Project Fund. These funds were not appropriated causing expenditures to exceed appropriations in the Capital Projects Fund by \$30,816 in 2011 contrary to ORC 5705.41(B) which requires all expenditures to be appropriated.

Response by Township

No written response received.

**Salem Township
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2012 and 2011**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2012-03
Noncompliance

Ohio Revised Code (ORC) Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury when such contract or order is made.

ORC Section 5705.41 also provides that if no certificate was furnished at the time that the contract was entered into, the fiscal officer may prepare a Then and Now Certificate stating (1) that there was at the time of the making of the contract and (2) at the time of the execution of this certificate a sufficient sum appropriated for the purpose of the contract in question in the treasury or in process of collection to the credit of the appropriate fund, free from previous encumbrances. We noted that funds were not encumbered prior to expenditure for two of the sixteen disbursements tested and a Then and Now Certificate was not prepared.

Response by Township

No written response received.

Finding Number 2012-04
Noncompliance

ORC Section 5705.39, states that the total appropriations from each fund should not exceed the total of estimated resources available (cash available at the beginning of the year plus estimated receipts for the year). Appropriations exceeded available resources in 2012 and 2011 by \$3,845 and \$5,359, respectively, in the General Fund.

ORC Section 5705.41(B) provides that no money is to be expended unless it has been appropriated. In 2011, the Township did not appropriate expenditures for the Issue I project mentioned in Finding 2012-02 of \$30,816.

ORC Section 5705.36 states:

- (1) That an increased amended certificate must be obtained from the Budget Commission if the legislative authority intends to appropriate and expend revenue in excess of the estimated resources.

**Salem Township
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2012 and 2011**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2012-04, continued
Noncompliance

We recognize that the Township did not spend all appropriations and actual expenses did not exceed available resources, but failure to limit appropriations to the amount of estimated resources could result in over spending and negative cash balances.

Response by Township

No written response received.

**Salem Township
Wyandot County, Ohio
Schedule of Prior Audit Findings
December 31, 2012 and 2011**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:</u>
2010-01	Ohio Attorney General Opinion 2004-36 requires trustees to document the percentage amount of trustee salaries to funds other than the General Fund	No	Reissued as management letter comment.
2010-02	ORC 5705-41 Fiscal Officer must certify the commitment of money prior to the expenditure taking place	No	Reissued as Finding 2012-03.
2010-03	Budgetary	No	Reissued as Finding 2012-02.
2010-04	ORC 5705.39, ORC 5705.36 and ORC 5705.41(B) Budgetary Appropriations And Receipts	No	Reissued as Finding 2012-04.



Dave Yost • Auditor of State

SALEM TOWNSHIP

WYANDOT 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
OCTOBER 8, 2013**