



Dave Yost • Auditor of State

**SALEM TOWNSHIP
MEIGS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Salem Township
Meigs County
28560 State Route 124
Langsville, Ohio 45741

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Salem Township, 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 of Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, 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, 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 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2016, 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

September 16, 2016

**SALEM 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	\$9,060	\$94,123	\$103,183
Intergovernmental	32,903	166,712	199,615
Earnings on Investments	722	587	1,309
Miscellaneous	1,241	2,566	3,807
<i>Total Cash Receipts</i>	<u>43,926</u>	<u>263,988</u>	<u>307,914</u>
Cash Disbursements			
Current:			
General Government	26,571	48,132	74,703
Public Safety	0	61,376	61,376
Public Works	0	224,503	224,503
Health	0	9,689	9,689
<i>Total Cash Disbursements</i>	<u>26,571</u>	<u>343,700</u>	<u>370,271</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>17,355</u>	<u>(79,712)</u>	<u>(62,357)</u>
Other Financing Receipts			
Other Debt Proceeds	0	73,534	73,534
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>73,534</u>	<u>73,534</u>
<i>Net Change in Fund Cash Balances</i>	17,355	(6,178)	11,177
<i>Fund Cash Balances, January 1</i>	<u>16,005</u>	<u>215,779</u>	<u>231,784</u>
Fund Cash Balances, December 31			
Restricted	0	161,350	161,350
Committed	0	48,251	48,251
Assigned	33,360	0	33,360
<i>Fund Cash Balances, December 31</i>	<u>\$33,360</u>	<u>\$209,601</u>	<u>\$242,961</u>

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

SALEM TOWNSHIP
MEIGS COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Fiduciary Fund Type</u>
	<u>Private Purpose Trust</u>
Operating Cash Receipts	
Earnings on Investments	<u>\$5</u>
<i>Total Operating Cash Receipts</i>	<u>5</u>
<i>Net Change in Fund Cash Balances</i>	5
<i>Fund Cash Balances, January 1</i>	<u>5,055</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$5,060</u></u>

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

**SALEM 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	\$8,397	\$85,992	\$94,389
Intergovernmental	19,282	112,834	132,116
Earnings on Investments	980	369	1,349
Miscellaneous	1,110	2,366	3,476
<i>Total Cash Receipts</i>	<u>29,769</u>	<u>201,561</u>	<u>231,330</u>
Cash Disbursements			
Current:			
General Government	69,288	15,970	85,258
Public Safety	0	14,274	14,274
Public Works	0	140,888	140,888
Health	4,300	11,115	15,415
Other	0	153	153
Capital Outlay	0	5,000	5,000
<i>Total Cash Disbursements</i>	<u>73,588</u>	<u>187,400</u>	<u>260,988</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(43,819)</u>	<u>14,161</u>	<u>(29,658)</u>
<i>Net Change in Fund Cash Balances</i>	(43,819)	14,161	(29,658)
<i>Fund Cash Balances, January 1</i>	<u>59,824</u>	<u>201,618</u>	<u>261,442</u>
Fund Cash Balances, December 31			
Restricted	0	171,110	171,110
Committed	0	44,669	44,669
Assigned	16,005	0	16,005
<i>Fund Cash Balances, December 31</i>	<u>\$16,005</u>	<u>\$215,779</u>	<u>\$231,784</u>

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

**SALEM TOWNSHIP
MEIGS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Fiduciary Fund Type</u>
	<u>Private Purpose Trust</u>
Operating Cash Receipts	
Earnings on Investments	<u>\$27</u>
<i>Total Operating Cash Receipts</i>	<u>27</u>
<i>Net Change in Fund Cash Balances</i>	27
<i>Fund Cash Balances, January 1</i>	<u>5,028</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$5,055</u></u>

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

**SALEM 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 the Salem 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, fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool. Note 7 to the financial statements provides additional information for these entities

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits

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

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining, and repairing Township roads.

**SALEM 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)

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

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

Fire District Fund - This fund receives property tax money for fire protection services for the Township

3. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund is for the benefit of certain individuals for the care and upkeep of their graves.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**SALEM TOWNSHIP
MEIGS COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

Fund balance is divided into three 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.

2. 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.

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.

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>\$248,021</u>	<u>\$236,839</u>

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

**SALEM 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	\$26,607	\$43,926	\$17,319
Special Revenue	323,641	337,522	13,881
Fiduciary	0	5	5
Total	\$350,248	\$381,453	\$31,205

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$78,006	\$26,571	\$51,435
Special Revenue	491,318	343,700	147,618
Fiduciary	0	0	0
Total	\$569,324	\$370,271	\$199,053

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,869	\$26,769	\$900
Special Revenue	155,505	201,561	46,056
Fiduciary	0	27	27
Total	\$181,374	\$228,357	\$46,983

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$114,055	\$73,588	\$40,467
Special Revenue	317,148	187,400	129,748
Fiduciary	0	0	0
Total	\$431,203	\$260,988	\$170,215

4. Property Tax

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

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

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

**SALEM 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
Backhoe Loader	\$73,534	3%

The Township obtained a loan through KS State Bank to finance the purchase of a new backhoe loader for Township Road Maintenance. The purchased equipment collateralized the loan.

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

Year ending December 31:	Backhoe Loader Loan
2016	\$11,874
2017	11,874
2018	11,874
2019	11,874
2020	11,874
2021	23,748
Total	\$83,118

5. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 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.

6. 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.

**SALEM TOWNSHIP
MEIGS COUNTY**

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

6. Risk Management (Continued)

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.

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 \$3,000.

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	
<u>2015</u>	<u>2014</u>
\$5,565	\$5,163

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



Dave Yost • Auditor of State

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

Salem Township
Meigs County
28560 State Route 124
Langsville, Ohio 45741

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, 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 September 16, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 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 and 2015-003 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 and 2015-002.

Entity's Responses to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 16, 2016

**SALEM 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

Noncompliance and Material Weakness

Ohio Revised Code § 505.24(D) sets forth the method by which township trustee's compensation should be allocated. The Auditor of State issued Bulletin 2013-002 on June 7, 2013 explaining that the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law. House Bill 153 modified Ohio Rev. Code § 505.24 to require township trustees paid by the annual salary method, that compensate from funds other than the general fund, to certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Each township trustee that is compensated from funds other than the general fund must complete the certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the trustee spent during that pay period providing services related to each fund to be charged.

During 2014, the Township paid a portion of Trustee salaries and related payroll withholdings from restricted funds without providing signed certifications of hours spent providing these services to the Township. Since the Township had no certifications, the salary should only be allocated from the General Fund. This unsupported allocation was material to the financial statements; audit adjustments relating to this allocation have been included on the financial statements to increase General Fund expenditures by \$26,955 and decreases in expenditures in the Motor Vehicle License Tax Fund, the Gasoline Tax Fund and Road and Bridge Fund of \$8,985 each. Failure to allocate Trustee payroll in accordance with approved certifications can lead to mispostings and findings for adjustment.

The Fiscal Officer should charge the trustee salaries and related benefits to the applicable funds in accordance with the certifications. A sample certification is attached to Auditor of State Bulletin 2011-007.

Official's Response: We will correct this going forward.

FINDING NUMBER 2015-002

Noncompliance

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

The Township's debt outstanding at December 31, 2015 consisted of an installment loan with KS State Bank secured by the equipment purchased. This type of debt does not meet the criteria for any of the debt allowed in Ohio Revised Code Chapter 133. Failure to comply with the Revised Code could result in improper use of Township money.

**SALEM 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 Chapter 133 (Continued)

The 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 as provided for by the Code.

The Township should contact their legal counsel before incurring future debt.

Official's Response: We will seek legal counsel before incurring any future debt.

FINDING NUMBER 2015-003

Material Weakness

The Fiscal Officer posted certain revenue and expenditures transactions incorrectly resulting in material audit adjustments to the financial statements as of December 31, 2014 and 2015.

For the year ended December 31, 2014, the following items were noted:

General Fund

- As discussed in Finding Number 2015-001, the Board of Trustees did not provide adequate certifications for the percentage of time spent on restricted fund activities requiring payroll disbursements be adjusted back to the General Fund. This resulted in an increase in General Government expenditures of \$26,955.
- Incorrect fund allocations and other mispostings resulting in a decrease in Property and Other Local Taxes of \$5,127, a decrease in Intergovernmental receipts of \$556, a decrease in Advances In of \$57 and an increase in Miscellaneous receipts of \$109.
- Interest was not properly allocated among funds resulting in an increase in Earnings on Investment of \$146.
- Disbursements charged to incorrect funds resulting in an increase in General Government expenditures of \$3,062.
- The Township improperly classified General Fund equity in accordance with GASB 54 and Auditor of State (AOS) Audit Bulletin (AB) 2011-004. The 2015 General Fund appropriations exceeded the 2015 estimated receipts at December 31, 2014. This resulted in an increase in Assigned Fund Cash Balances and a decrease in Unassigned Fund Cash Balances \$51,508.

Special Revenue Funds

- As discussed in Finding Number 2015-001, the Board of Trustees did not provide adequate certifications for the percentage of time spent on restricted fund activities requiring payroll disbursements be adjusted back to the General Fund. This resulted in a decrease in General Government expenditures on the Motor Vehicle License Tax Fund, the Gasoline Tax Fund and Road and Bridge Fund of \$8,985 each.
- Incorrect fund posted and other mispostings resulting in:
 - Cemetery Fund - an increase in Intergovernmental of \$827 and a decrease in Property and Other Local Taxes of \$18,589.
 - Road Levy Fund - an increase in Property and Other local Taxes of \$15,651 and an increase in Intergovernmental receipts of \$4,861.

**SALEM 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 2015-003 (Continued)

Material Weakness (Continued)

- Fire Levy Fund - a decrease in Property and Other local Taxes of \$860, an increase in Miscellaneous receipts of \$373, and an increase in Intergovernmental receipts of \$1,665.
- Motor Vehicle License Tax Fund - a decrease in Intergovernmental of \$32 and an increase in Miscellaneous receipts of \$175.
- Road and Bridge Fund - a decrease in Property and Other local Taxes of \$1,231, an increase in Intergovernmental receipts of \$2,382, and an increase in Miscellaneous receipts of \$176.
- Gasoline Tax Fund - an increase in Miscellaneous receipts of \$233.
- Interest misallocated between funds resulting in a decrease in Gasoline Tax Fund Earnings on Investment of \$158.
- Disbursements charged to incorrect funds resulting in:
 - Motor Vehicle License Tax Fund - a decrease in General Government expenditures of \$1,413.
 - Gasoline Tax Fund - a decrease in Public Works of \$1,017 and a decrease in General Government expenditures of \$3,030.
 - Road and Bridge Fund - a decrease in General Government expenditures of \$685 and a decrease in Public Works expenditures of \$634.
 - Fire Levy Fund - an increase in Public Safety expenditures of \$3,864 and a decrease in General Government expenditures of \$146.
 - Cemetery Fund - an increase in Public Health expenditures of \$3,133.
 - Road Levy Fund - a decrease in Public Works expenditures of \$3,287 and an increase in Other disbursements of \$68.
 - Miscellaneous Special Levy Fund - an increase in Other disbursements of \$85.
- The Road and Bridge Special Revenue Fund equity (ending fund balance) was improperly classified as restricted rather than as committed since the levy was within the 10 mil limitation according to GASB 54. As a result, committed fund balance increase by \$33,038 and restricted fund balance decreased by the same amount.

Capital Projects Funds

- Beginning balances did not agree to prior audited balances resulting in an increase in Fund Cash Balance, January 1 of \$15.
- Interest misallocated among funds resulting in a decrease in Earnings on Investment of \$15.

Private Purpose Trust Funds

- Beginning balances did not agree to prior audited balances resulting in a decrease in Fund Cash Balance, January 1 of \$15.
- Interest was misallocated among funds resulting in an increase in Earnings on Investment of \$27.

For the year ended December 31, 2015, the following items were noted:

General Fund

- The Fiscal Officer paid the wrong vendor when remitting federal tax withholdings. The incorrect vendor returned the money however; this was posted as Miscellaneous Receipts and the payment of the taxes to the correct vendor was posted again as Other Financing Uses resulting in the overstatement of both receipts and expenditures. Adjustments were proposed to decrease Other Financing Uses and to decrease Miscellaneous receipts of \$11,811.

**SALEM 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 2015-003 (Continued)

Material Weakness (Continued)

- The Fiscal Officer improperly classified General Fund equity in accordance with GASB 54 and AOS AB 2011-004. The 2016 General Fund appropriations exceeded the 2016 estimated receipts at December 31, 2015. This resulted in an increase in Assigned Fund Cash Balances and a decrease in Unassigned Fund Cash Balances \$68,863.

Special Revenue Funds

- The Fiscal Officer did not post a loan transaction to purchase a Backhoe. This resulted in an increase in Motor Vehicle License Tax Fund Other Debt Proceeds and an increase in Motor Vehicle License Tax Fund Public Works expenditures of \$73,534.
- The Road and Bridge Special Revenue Fund equity (ending fund balance) was improperly classified as restricted rather than as committed since the levy was within the 10 mil limitation according to GASB 54. As a result, committed fund balance increase by \$36,620 and restricted fund balance decreased by the same amount.

The following represents the cumulative effect of the adjustments listed above on the respective fund cash balances as of December 31, 2015:

Fund	Unadjusted 12/31/15 Fund Balance	Audit Adjustment	Adjusted 12/31/15 Fund Balance
1000 General	\$68,863	(\$35,502)	\$33,361
2011 Motor Vehicle License Tax	4,129	10,541	14,670
2021 Gasoline Tax	52,068	13,107	65,175
2031 Road and Bridge	36,620	11,631	48,251
2041 Cemetery	22,480	(20,895)	1,585
2111 Fire District	34,407	(2,540)	31,867
2141 Road Levy	15,774	23,731	39,505
2901 Miscellaneous Special Revenue	8,633	(85)	8,548
9751 Private Purpose Trust	5,048	12	5,060

These misstatements were caused by confusion over proper classifications and a lack of management oversight. As a result, significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

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

Official's Response: We will correct this matter going forward.

**SALEM TOWNSHIP
MEIGS COUNTY**

**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	Ohio Rev. Code § 505.24(C) - Trustees salaries were not paid from appropriate funds.	No	Repeated as Finding Number 2015-001.
2013-002	Ohio Rev. Code § 5705.41(D)(1) - Purchase obligations were not encumbered prior to obligations.	Yes	N/A
2013-003	Material Weakness for material misstatements requiring financial statement adjustment.	No	Repeated as Finding Number 2015-003.

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Dave Yost • Auditor of State

SALEM 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
SEPTEMBER 29, 2016**