



Dave Yost • Auditor of State

OHIO AUDITOR OF STATE **KEITH FABER**



January 24, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

**SALINE TOWNSHIP
JEFFERSON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Saline Township
Jefferson County
P.O. Box 177
Hammondsville, Ohio 43930

To the Township 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 the Saline Township, Jefferson County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

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 Section 117.38 and Ohio Administrative Code Section 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 such 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 Section 117.38 and Ohio Administrative Code Section 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows 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 cash balances, receipts and disbursements by fund type, and related notes of the Saline Township, Jefferson County as of December 31, 2017 and 2016, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 27, 2018

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Saline Township
Jefferson County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$629,294	\$127,094	\$756,388
Licenses, Permits and Fees	4,600	21,745	26,345
Fines and Forfeitures	52,793		52,793
Intergovernmental	176,909	119,440	296,349
Miscellaneous	1,400	905	2,305
<i>Total Cash Receipts</i>	<u>864,996</u>	<u>269,184</u>	<u>1,134,180</u>
Cash Disbursements			
Current:			
General Government	387,674		387,674
Public Safety	303,711	60,583	364,294
Public Works		202,901	202,901
Conservation-Recreation		113	113
Capital Outlay	24,026		24,026
<i>Total Cash Disbursements</i>	<u>715,411</u>	<u>263,597</u>	<u>979,008</u>
<i>Excess of Receipts Over Disbursements</i>	<u>149,585</u>	<u>5,587</u>	<u>155,172</u>
Other Financing (Disbursements)			
Other Financing Uses	(2,738)		(2,738)
<i>Total Other Financing (Disbursements)</i>	<u>(2,738)</u>		<u>(2,738)</u>
<i>Net Change in Fund Cash Balances</i>	146,847	5,587	152,434
<i>Fund Cash Balances, January 1</i>	<u>247,004</u>	<u>147,197</u>	<u>394,201</u>
Fund Cash Balances, December 31			
Restricted		147,817	147,817
Committed		4,967	4,967
Assigned	124,623		124,623
Unassigned	269,228		269,228
<i>Fund Cash Balances, December 31</i>	<u>\$393,851</u>	<u>\$152,784</u>	<u>\$546,635</u>

See accompanying notes to the financial statements

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**SALINE TOWNSHIP
JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 Saline Township, Jefferson 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 contracts with the Village of Irondale and the Village of Stratton to provide fire services. The Township also provides van service for the elderly.

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

The Township participates in Ohio Township Association Risk Management Authority (OTARMA) a public entity risk pool. The Ohio Township Association Risk Management Authority (OTARMA) provides Property and casualty coverage for its members.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-203(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 Section 117.38 and Ohio Administrative Code Section 117-203(D) permit.

C. Deposits

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

D. Fund Accounting

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

1. General Fund

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

**SALINE TOWNSHIP
JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Emergency Medical Services Fund – This fund receives property tax money to provide EMS services for the Township.

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 revenue for the road and bridge maintenance.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2017 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources.

The classifications are as follows:

1. Nonspendable

The Township classifies assets as **nonspendable** when legally or contractually required to maintain the amounts intact.

**SALINE TOWNSHIP
JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. 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 DEPOSITS

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

	2017
Demand deposits	<u>\$546,635</u>
Total deposits	<u>546,635</u>

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

**SALINE TOWNSHIP
JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$842,152	\$864,996	\$22,844
Special Revenue	284,830	269,184	(15,646)
Total	<u>\$1,126,982</u>	<u>\$1,134,180</u>	<u>\$7,198</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$758,652	\$718,149	\$40,503
Special Revenue	209,263	263,597	(54,334)
Total	<u>\$967,915</u>	<u>\$981,746</u>	<u>(\$13,831)</u>

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.

5. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Township 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. OPERS regular members contributed 10 percent and full time police officers contributed 13 percent of their gross salaries and the Township contributed an amount equaling 14 percent for regular and 18.1 percent for full time police of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

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.

**SALINE TOWNSHIP
JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, 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, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$14,000.

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

<u>2017 Contributions to OTARMA</u>
\$30,933

**SALINE TOWNSHIP
JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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.

7. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1.0 percent during calendar year 2017.

Saline Township
Jefferson County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$552,631	\$116,963	\$669,594
Licenses, Permits and Fees	4,680	33,820	38,500
Fines and Forfeitures	15,824		15,824
Intergovernmental	181,018	118,908	299,926
Miscellaneous	8,390	4,709	13,099
<i>Total Cash Receipts</i>	<u>762,543</u>	<u>274,400</u>	<u>1,036,943</u>
Cash Disbursements			
Current:			
General Government	390,522		390,522
Public Safety	319,035	60,526	379,561
Public Works	1,964	139,621	141,585
Human Services		6,475	6,475
Capital Outlay	52,543	635	53,178
<i>Total Cash Disbursements</i>	<u>764,064</u>	<u>207,257</u>	<u>971,321</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,521)</u>	<u>67,143</u>	<u>65,622</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets		2,127	2,127
Other Financing Uses	(678)		(678)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(678)</u>	<u>2,127</u>	<u>1,449</u>
<i>Net Change in Fund Cash Balances</i>	(2,199)	69,270	67,071
<i>Fund Cash Balances, January 1</i>	<u>249,203</u>	<u>77,927</u>	<u>327,130</u>
Fund Cash Balances, December 31			
Restricted		119,428	119,428
Committed		27,769	27,769
Unassigned	247,004		247,004
<i>Fund Cash Balances, December 31</i>	<u>\$247,004</u>	<u>\$147,197</u>	<u>\$394,201</u>

See accompanying notes to the financial statements

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**SALINE TOWNSHIP
JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 Saline Township, Jefferson 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 contracts with the Village of Irondale and the Village of Stratton to provide fire services. The Township also provides van service for the elderly.

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

The Township participates in Ohio Township Association Risk Management Authority (OTARMA) a public entity risk pool. The Ohio Township Association Risk Management Authority (OTARMA) provides Property and casualty coverage for its members.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-203(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 Section 117.38 and Ohio Administrative Code Section 117-203(D) permit.

C. Deposits

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

D. Fund Accounting

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

1. General Fund

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

**SALINE TOWNSHIP
JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Emergency Medical Services Fund – This fund receives property tax money to provide EMS services for the Township.

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2016 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources.

The classifications are as follows:

1. Nonspendable

The Township classifies assets as **nonspendable** when legally or contractually required to maintain the amounts intact.

**SALINE TOWNSHIP
JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. 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 DEPOSITS

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

	<u>2016</u>
Demand deposits	<u>\$394,201</u>
Total deposits	<u>394,201</u>

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

**SALINE TOWNSHIP
JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$758,652	\$762,543	\$3,891
Special Revenue	250,250	276,527	26,277
Total	\$1,008,902	\$1,039,070	\$30,168

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$785,400	\$764,742	\$20,658
Special Revenue	271,412	207,257	64,155
Total	\$1,056,812	\$971,999	\$84,813

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.

5. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Township 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. OPERS regular members contributed 10 percent and full time police officers contributed 13 percent of their gross salaries and the Township contributed an amount equaling 14 percent for regular and 18.1 percent for full time police of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**SALINE TOWNSHIP
JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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.

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, 2016, 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, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$14,000.

**SALINE TOWNSHIP
JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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.

2016 Contributions to OTARMA

\$29,996

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.

7. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 2.0 percent during calendar year 2016.



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

Saline Township
Jefferson County
P.O. Box 177
Hammondsville, Ohio 43930

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Saline Township, Jefferson County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated December 27, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 opinions 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 2017-002 through 2017-004 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 27, 2018

**SALINE TOWNSHIP
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Noncompliance – Payment of Withholdings

26 U.S.C. §§ 3102 and 3402 require the employing government to withhold federal and employment related taxes (such as Medicare and Social Security) from each employee. Furthermore, these chapters hold employers liable for reporting and payment of these taxes. In addition, **Ohio Rev. Code § 145.01** outline the requirements for withholding Ohio Public Employees Retirement (OPERS) amounts from a public employees payroll check. The Township has not implemented policies over withholdings to ensure they are paid in a timely manner.

The Township properly withheld federal income taxes and OPERS amounts; however, they have not implemented policies to assure withholdings are paid accurately and in a timely manner resulting in the following:

- During 2017, the Township overpaid federal taxes for the year in the amount of \$248;
- During 2016, the Township overpaid federal taxes for the year in the amount of \$2,795. Federal taxes paid in May, August, September and December of 2016 did not agree to the withholdings summary;
- The Township failed to pay federal taxes withheld for the period ending August 15 and September 15, 2016 totaling \$962, which resulted in penalties and interest totaling \$7. The Township subsequently paid the amounts due on December 9, 2016; and
- The Township did not pay OPERS amounts in accordance with the withholding summary as the amount paid was \$2,209 more than the amount listed on the withholding summary as of December 31, 2017. In addition, the amount recorded in the accounting system was \$151 more than the amounts cleared on the bank statements, which likely contributed to the Township's books not being reconciled with the bank amount as of December 31, 2017.

Failure to remit withholdings accurately and in a timely manner could result in additional late fee assessments and possible findings for recovery. A referral will be made the Internal Revenue Service and OPERS.

FINDING NUMBER 2017-002

Material Weakness – Cash Reconciliation Process Errors

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

FINDING NUMBER 2017-002
(Continued)

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board and/or other administrator are responsible for reviewing the reconciliations and related support.

The Township's December 2017 and 2016 cash reconciliations had the following issues:

- The December 2017 reconciliation included an adjusting factor of \$115 for a variance between the bank and books that could not be located. The financial statements were adjusted for this matter;
- Monthly bank reconciliations were not completed in a timely manner, for example the January 2017 reconciliation was not completed until May 2017, the February 2017 reconciliation was not completed until July 2017 and the August 2016 reconciliation was not completed until November of 2016;
- Beginning in January of 2017, the monthly reconciliations included adjustments and other adjusting factors due to payments not being recorded in the accounting system timely, transactions being mistakenly voided, checks being voided for the incorrect amounts, transactions being recorded twice, and incorrect pay rates being used which resulted in a re-issuance of checks. At December 31, 2017, adjustments to the accounting system totaled \$21,716;
- The payments figure on the December 31, 2017 reconciliation did not agree to the payment listing report within the accounting system in the amount of \$1,074;
- The Township recorded a receipt in the amount of \$2,694 twice in the accounting system and in the financial statements; however, the Township then recorded it as a deposit in transit on the December 2016 bank reconciliation. This item was subsequently adjusted in the accounting system in 2017; and
- The December 2016 reconciliation included a \$291 bank statement adjustment due to the Township not being able to reconcile bank to book balances.

Failure to reconcile monthly increases the possibility that the Township will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

FINDING NUMBER 2017-003

Material Weakness – Accurate Posting of Transactions

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Fiscal Officer did not abide by the adopted chart of account in coding and classifying various transactions in 2017 and 2016. This resulted in adjustments and reclassifications to the financial statements. The Township Fiscal Officer and management have agreed to and posted the adjustments to the Township's accounting records and the corrected amounts are reflected in the accompanying financial statements.

2017 Adjustments:

Fund Adjusted From:	Fund Adjustment to:	Amount	Explanation:
	General	\$115	To reconcile bank and book balance.
Fire District Special Revenue	Motor Vehicle License Tax Special Revenue	667	To adjust for an undivided auto license receipt posted to the improper fund.

2017 Reclassifications:

Fund	Reclassified To:	Amount	Reclassified From:
General	Unassigned Fund Balance	\$396,524	Restricted Fund Balance
Road and Bridge, Fire and Emergency Medical Services Special Revenue	Public Works and Public Safety Expenses	795 and 51,282	General Government Expenses
Emergency Medical Services Special Revenue	Intergovernmental Revenue	9,425	Miscellaneous Revenue
Road and Bridge Special Revenue	Intergovernmental Revenue	645	Miscellaneous Revenue
Road and Bridge Special Revenue	Committed Fund Balance	4,967	Restricted Fund Balance
General	Intergovernmental Revenue	3,748	Property and Other Local Taxes Revenue
General	Assigned Fund Balance	124,623	Unassigned Fund Balance
Road and Bridge Special Revenue	Intergovernmental Revenue	2,041	Property and Other Local Taxes Revenue
Emergency Medical Services Special Revenue	Intergovernmental Revenue	90	Property and Other Local Taxes Revenue

FINDING NUMBER 2017-003
 (Continued)

2016 Adjustments:

Fund Adjusted From:	Fund Adjustment to:	Amount	Explanation:
Road and Bridge Special Revenue	Motor Vehicle License Tax Special Revenue	\$599	To adjust for a motor vehicle license tax receipt posted to the improper fund.
Permissive Motor Vehicle Special Revenue	Motor Vehicle License Tax Special Revenue	1,497	To adjust for a motor vehicle license tax receipt posted to the improper fund.
General	Road and Bridge, Fire District and Emergency Medical Services Special Revenue	2,088, 418 and 167	To adjust a prior year homestead and rollback receipt not allocated to the proper funds.

2016 Reclassifications:

Fund	Reclassified To:	Amount	Reclassified From:
General	Unassigned Fund Balance	\$249,677	Restricted Fund Balance
General	Miscellaneous Revenue	468	Special Item
General	Intergovernmental Revenue	5,000	Miscellaneous Revenue
Road and Bridge, Fire and Emergency Medical Services Special Revenue	Public Works and Public Safety Expenses	800 and 39,329	General Government Expenses
Road and Bridge Special Revenue	Sale of Capital Assets	2,127	Miscellaneous Revenue
Emergency Medical Services Special Revenue	Intergovernmental Revenue	4,194	Miscellaneous Revenue
Emergency Medical Services Special Revenue	Licenses, Permits & Fees Revenue	1,184	Miscellaneous Revenue
Road and Bridge Special Revenue	Committed Fund Balance	27,769	Restricted Fund Balance

Other mispostings were identified; however they were not material and the Township decided not to make the adjustments.

Adjustments to the Financial Statement Notes which were reflected:

- The 2017 Notes had the following errors:
 - Fiscal Year 2015 & 2016 information within the filed report and the most current shell located on the Auditor of State website was not used;
 - A description of the Road and Bridge Special Revenue Fund was not included;
 - The accumulated leave paragraph was not properly included;
 - The figure in the deposits note did not agree to the financial statements;
 - The budgeted and actual figures in the Budgetary Activity note did not agree to amounts approved by the Trustees and reported on the financial statements;
 - The Retirement Systems note did not reflect the information of the most current shell;
 - The Risk Management note did not reflect the information of the 2017 shell; and
 - The Post-employment Benefits note was not included.

FINDING NUMBER 2017-003
(Continued)

- The 2016 Notes had the following errors:
 - The most current shell on the Auditor of State website was not used;
 - The accumulated leave paragraph was not properly included;
 - The budgeted and actual figures in the Budgetary Activity note did not agree to amounts approved by the Trustees and reported on the financial statements;
 - The Retirement Systems note did not reflect the information of the most current shell;
 - The Risk Management note did not reflect the information of the 2016 shell; and
 - The Post-employment Benefits note was not included.

The Township did not have procedures in place to record/report transactions properly.

Failure to consistently follow a uniform chart of accounts increases the possibility the Township will not be able to identify, assemble, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The Fiscal Officer should maintain the accounting system to enable the Township to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure that financial activity of the Township is accurately recorded and reported. In addition, the Township should review the financial statements and notes prior to report submission.

FINDING NUMBER 2017-004

Material Weakness – Posting of Authorized Budgetary Measures

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by the Board were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

FINDING NUMBER 2017-004
 (Continued)

The following variances were identified:

2017 Estimated Revenues:

Fund	Amount per Certificate of Estimated Resources	Estimated Revenues per Accounting System	Variance
General	\$842,152	\$842,254	\$102
Special Revenue:			
Motor Vehicle License	6,000	10,100	4,100
Fire District	69,293	105,621	69,297

2017 Appropriations:

Fund	Appropriations Approved by Trustees	Appropriations per Accounting System	Variance
General	\$818,871	\$818,976	\$105

2016 Estimated Revenues:

Fund	Amount per Certificate of Estimated Resources	Estimated Revenues per Accounting System	Variance
Emergency Medical Services Special Revenue	\$46,979	\$55,617	\$8,638

2016 Appropriations:

Fund	Appropriations Approved by Trustees	Appropriations per Accounting System	Variance
General	\$784,400	\$785,400	\$1,000
Emergency Medical Services Special Revenue	62,929	68,967	6,038

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this led to inaccurate reporting of the budgetary information in the financial statements.

FINDING NUMBER 2017-004
(Continued)

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

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

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SALINE TOWNSHIP

164 COUNTY HWY 50 A
HAMMONDSVILLE, OHIO 43930
Phone 330-532-2195 or 330-532-2196
Fax 330-532-5844

*Trustees: Chuck Crawford, Danny Householder, Don Wilson
Fiscal Officer: Connie McCourt*

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS December 31, 2017 and 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Significant Deficiency- Fund Balance Policy/Classification Errors	Repeated	
2015-002	Significant Deficiency- Proper Coding of Disbursements	Repeated	

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OHIO AUDITOR OF STATE
KEITH FABER



SALINE TOWNSHIP

JEFFERSON 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
JANUARY 24, 2019**