



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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SALT ROCK TOWNSHIP
MARION COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2013 and 2012
Fiscal Years Audited Under GAGAS: 2013 and 2012



Dave Yost • Auditor of State

Board of Trustees
Salt Rock Township
5764 Morral-Kirkpatrick Road West
Morral, Ohio 43337

We have reviewed the *Independent Auditor's Report* of the Salt Rock Township, Marion County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

April 28, 2014

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**Salt Rock Township
Marion County**

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For the Fiscal Years Ended December 31, 2013 and 2012

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Independent Auditor's Report

Salt Rock Township
Marion County
5764 Morral-Kirkpatrick Road West
Morral, Ohio 43337

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Salt Rock Township, Marion County, (the Township), as of and for the years ended December 31, 2013 and 2012.

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 fair 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 opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of 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, to satisfy requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, 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 Salt Rock Township, Marion County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, during 2012, the Township elected to change its financial presentation to 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. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2014, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe 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 Standard* in considering the Township's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
March 21, 2014

Salt Rock Township, Marion County
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
Governmental Fund Types
For the Year Ended December 31, 2013

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Permanent	(Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 43,087	\$ 30,892	\$ -	\$ -	\$ 73,979
Licenses, Permits and Fees	233	-	-	-	233
Intergovernmental	20,298	98,944	-	-	119,242
Charges for Services	-	46,000	-	-	46,000
Interest	108	98	-	-	206
Miscellaneous	1,987	873	-	-	2,860
<i>Total Cash Receipts</i>	<u>65,713</u>	<u>176,807</u>	<u>-</u>	<u>-</u>	<u>242,520</u>
Cash Disbursements					
Current:					
General Government	63,980	-	-	-	63,980
Public Safety	240	53,780	-	-	54,020
Public Works	-	87,933	-	-	87,933
Health	3,855	-	-	-	3,855
Capital Outlay	-	15,000	-	-	15,000
Debt Service:					
Principal Retirement	-	-	8,356	-	8,356
Interest and Fiscal Charges	-	-	1,769	-	1,769
<i>Total Cash Disbursements</i>	<u>68,075</u>	<u>156,713</u>	<u>10,125</u>	<u>-</u>	<u>234,913</u>
<i>Excess of Cash Receipts Over /(Under) Cash Disbursements</i>	<u>(2,362)</u>	<u>20,094</u>	<u>(10,125)</u>	<u>-</u>	<u>7,607</u>
Other Financing Sources (Uses)					
Transfers In	-	-	10,125	-	10,125
Transfers Out	-	(10,125)	-	-	(10,125)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(10,125)</u>	<u>10,125</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	<u>(2,362)</u>	<u>9,969</u>	<u>-</u>	<u>-</u>	<u>7,607</u>
<i>Fund Cash Balances, January 1</i>	<u>58,967</u>	<u>567,438</u>	<u>-</u>	<u>1,560</u>	<u>627,965</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	1,000	1,000
Restricted	-	577,407	-	560	577,967
Unassigned (Deficit)	56,605	-	-	-	56,605
<i>Fund Cash Balances, December 31</i>	<u>\$ 56,605</u>	<u>\$ 577,407</u>	<u>\$ -</u>	<u>\$ 1,560</u>	<u>\$ 635,572</u>

See accompanying notes to the financial statements.

Salt Rock Township, Marion County
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
Governmental Fund Types
For the Year Ended December 31, 2012

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Permanent	(Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 43,263	\$ 31,013	\$ -	\$ -	\$ 74,276
Licenses, Permits and Fees	8	-	-	-	8
Intergovernmental	12,746	99,004	-	-	111,750
Charges for Services	-	46,000	-	-	46,000
Interest	125	128	-	5	258
Miscellaneous	401	-	-	-	401
<i>Total Cash Receipts</i>	<u>56,543</u>	<u>176,145</u>	<u>-</u>	<u>5</u>	<u>232,693</u>
Cash Disbursements					
Current:					
General Government	70,181	-	-	-	70,181
Public Safety	240	42,929	-	-	43,169
Public Works	-	85,418	-	-	85,418
Health	3,780	-	-	-	3,780
Capital Outlay	-	2,650	-	-	2,650
Debt Service:					
Principal Retirement	-	-	31,384	-	31,384
Interest and Fiscal Charges	-	-	4,796	-	4,796
<i>Total Cash Disbursements</i>	<u>74,201</u>	<u>130,997</u>	<u>36,180</u>	<u>-</u>	<u>241,378</u>
<i>Excess of Cash Receipts Over /(Under) Cash Disbursements</i>	<u>(17,658)</u>	<u>45,148</u>	<u>(36,180)</u>	<u>5</u>	<u>(8,685)</u>
Other Financing Sources (Uses)					
Transfers In	-	-	36,180	-	36,180
Transfers Out	-	(36,180)	-	-	(36,180)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(36,180)</u>	<u>36,180</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	<u>(17,658)</u>	<u>8,968</u>	<u>-</u>	<u>5</u>	<u>(8,685)</u>
<i>Fund Cash Balances, January 1</i>	<u>76,625</u>	<u>558,470</u>	<u>-</u>	<u>1,555</u>	<u>636,650</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	1,000	1,000
Restricted	-	567,438	-	560	567,998
Unassigned (Deficit)	58,967	-	-	-	58,967
<i>Fund Cash Balances, December 31</i>	<u>\$ 58,967</u>	<u>\$ 567,438</u>	<u>\$ -</u>	<u>\$ 1,560</u>	<u>\$ 627,965</u>

See accompanying notes to the financial statements.

**SALT ROCK TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 Salt Rock Township, Marion County, (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with Big Island and Grand Prairie Township to provide fire protection. The Township also contracts with Stofcheck Ambulance Service Inc. to provide ambulance services.

The Township participates in a public entity risk pool. Note 7 provides additional information regarding this entity.

Public Entity Risk Pool:

Ohio Township Risk Management Authority (OTARMA) - This risk-sharing pool, available to Ohio Townships provides property and casualty insurance 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 the Auditor of State prescribes or permits. The basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Deposits

During 2013 and 2012, the Township invested in nonnegotiable certificates of deposit, STAR Ohio and maintained checking accounts with local financial institutions. The nonnegotiable certificates of deposit are reported at cost. Investments in STAR Ohio are valued at STAR Ohio's share prices, which is the price the investment could be sold for on December 31.

D. Fund Accounting

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

1. General Fund

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

**SALT ROCK TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds account for and report the 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 license tax money to pay for constructing, maintaining, and repairing township roads.

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

Fire District Fund – This fund receives property tax money to provide fire protection for the Township residents.

Special Levy Fund – This fund receives primarily tax monies and is primarily used to purchase fire equipment and property and liability insurance for the Fire Department.

3. Debt Service Fund

This fund accounts for and reports the financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Debt Service Fund – This fund receives funds via transfer from the Special Levy Fund for annual payment of the Township's fire truck and pumper/tanker.

4. Permanent Fund

This fund accounts for and reports the financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the Township's programs. The Township had the following significant Permanent Fund:

Cemetery Maintenance Fund – This fund receives interest earned on the nonspendable corpus from the trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

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

1. Appropriations

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

**SALT ROCK TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2013 and 2012 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.

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.

**SALT ROCK TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (continued)

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

G. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	2013	2012
Demand Deposits	\$ 557,379	\$ 529,808
Certificates of Deposit	1,000	1,000
Total Deposits	\$ 558,379	\$ 530,808
 STAR Ohio	 77,193	 97,157
Total Investments	77,193	97,157
Total Deposits and Investments	\$ 635,572	\$ 627,965

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

**SALT ROCK TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 52,282	\$ 65,713	\$ 13,431
Special Revenue	171,312	176,807	5,495
Debt Service	10,125	10,125	-
Permanent	3	-	(3)
Total	\$ 233,722	\$ 252,645	\$ 18,923

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 109,233	\$ 68,075	\$ 41,158
Special Revenue	729,963	166,838	563,125
Debt Service	10,125	10,125	-
Permanent	3	-	3
Total	\$ 849,324	\$ 245,038	\$ 604,286

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 50,297	\$ 56,543	\$ 6,246
Special Revenue	172,665	176,145	3,480
Debt Service	36,180	36,180	-
Permanent	3	5	2
Total	\$ 259,145	\$ 268,873	\$ 9,728

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 126,672	\$ 74,201	\$ 52,471
Special Revenue	713,971	167,177	546,794
Debt Service	36,180	36,180	-
Permanent	3	-	3
Total	\$ 876,826	\$ 277,558	\$ 599,268

**SALT ROCK TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 property owner elects to pay semiannually, the first half is due December 31. The second half payment is due to the following June 20.

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

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

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

5. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Fire Tanker Notes	\$37,984	3.89%
Total	\$37,984	

On June 3, 2002, the Township entered into a lease/purchase agreement with North Country Financial Group, Inc. for the purpose of obtaining a fire truck and related equipment. The lease amount was \$195,158 at an interest rate of 5.63% for the term of 10 years. The initial payment was due June 3, 2013 with subsequent payments due on June 3rd of each year and a final maturity date of June 3, 2012. Capital lease obligations will be paid out of the Township's Special Levy Fun. The Township's final payment was due in 2012 totaling \$26,055, including interest of \$1,389.

On January 28, 2011, the Township entered into a loan agreement with Commercial Savings Bank for the purpose of obtaining a fire tanker. The loan amount was \$62,273 at an interest rate of 3.89% for a term of 7 years. The initial payment was due June 28, 2011 with subsequent payments due on June 28th of each year and the final maturity date of June 28, 2017. Loan obligations will be paid out of the Township's Special Levy Fund.

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

Year ending December 31:	Fire Tanker
2014	\$10,125
2015	10,125
2016	10,125
2017	10,125
Total	\$40,500

**SALT ROCK TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

7. RISK MANAGEMENT

Risk Pool Membership

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

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

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

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

**SALT ROCK TOWNSHIP
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

7. RISK MANAGEMENT (Continued)

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013 and December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$8,500. The rate for 2012 was utilized in calculating the 2013 share. (The most recent information available).

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>2013</u>	<u>2012</u>
\$11,344	\$11,331

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

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. INTERFUND ACTIVITY

Transfers were made during 2013 and 2012 from the Special Levy Fund to the Debt Service Fund for the debt retirement obligations of \$10,125 and \$36,180, respectively.

10. CHANGE IN ACCOUNTING PRINCIPLE

During 2012, the Township elected to change its financial presentation to 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. There was no effect on the cash fund balances of the Township.



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards***

Salt Rock Township
Marion County
5764 Morral-Kirkpatrick Road West
Morral, Ohio 43337

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Salt Rock Township, Marion County, (the Township) as of and for the years ended December 31, 2013 and 2012 and the related notes to the financial statements, and have issued our report thereon dated March 21, 2014, wherein we noted the Township elected to change its financial presentation to financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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 weakness or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
March 21, 2014

Salt Rock Township
Marion County
 Schedule of Prior Audit Findings
 December 31, 2013 and 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	Material Weakness – Financial Reporting	Yes	Corrected
2011-002	Material Weakness – Reporting Entity	Yes	Corrected



Dave Yost • Auditor of State

SALT ROCK TOWNSHIP

MARION 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
MAY 8, 2014**