



**SALEM TOWNSHIP
SHELBY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SALEM TOWNSHIP
SHELBY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Salem Township
Shelby County
P.O. Box 187
Port Jefferson, Ohio 45360

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Shelby County, (the Township) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Salem Township, Shelby County, as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 2, 2001

**SALEM TOWNSHIP
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$15,912	\$57,189		\$73,101
Intergovernmental	34,415	63,136		97,551
Special Assessments		1,735		1,735
Licenses, Permits, and Fees	1,701	37,219		38,920
Earnings on Investments	1,925	222		2,147
Other Revenue	2,041	579		2,620
	<u>55,994</u>	<u>160,080</u>		<u>216,074</u>
Total Cash Receipts				
	<u>55,994</u>	<u>160,080</u>		<u>216,074</u>
Cash Disbursements:				
Current:				
General Government	33,027	1,575		34,602
Public Safety		47,940		47,940
Public Works		47,136		47,136
Health	3,248	33,693		36,941
Capital Outlay	660	3,767		4,427
	<u>36,935</u>	<u>134,111</u>		<u>171,046</u>
Total Cash Disbursements				
	<u>36,935</u>	<u>134,111</u>		<u>171,046</u>
Total Receipts Over/(Under) Disbursements	<u>19,059</u>	<u>25,969</u>		<u>45,028</u>
Other Financing Receipts/(Disbursements):				
Transfers-In			\$30,380	30,380
Transfers-Out	(30,380)			(30,380)
	<u>(30,380)</u>		<u>30,380</u>	
Total Other Financing Receipts/(Disbursements)				
	<u>(30,380)</u>		<u>30,380</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(11,321)	25,969	30,380	45,028
Fund Cash Balances, January 1	<u>32,754</u>	<u>75,555</u>	<u>22,959</u>	<u>131,268</u>
Fund Cash Balances, December 31	<u>\$21,433</u>	<u>\$101,524</u>	<u>\$53,339</u>	<u>\$176,296</u>

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

**SALEM TOWNSHIP
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>FIDUCIARY FUND TYPE</u> <u>Non-Expendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	<u>\$3,597</u>
Total Operating Cash Receipts	3,597
Cash Disbursements:	
Current:	
Supplies and Materials	<u>118</u>
Total Cash Disbursements	118
Total Receipts Over/(Under) Disbursements	<u>3,479</u>
Fund Cash Balances, January 1	<u>69,666</u>
Fund Cash Balances, December 31	<u><u>\$73,145</u></u>

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

**SALEM TOWNSHIP
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$14,079	\$28,316		\$42,395
Intergovernmental	48,952	62,709	\$17,632	129,293
Special Assessments		1,787		\$1,787
Licenses, Permits, and Fees	1,914	33,061		34,975
Earnings on Investments	1,536			1,536
Other Revenue	528	216		744
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	67,009	126,089	17,632	210,730
Cash Disbursements:				
Current:				
General Government	45,367	145		45,512
Public Safety		17,356		17,356
Public Works		93,634		93,634
Health	2,537	26,891		29,428
Capital Outlay	1,508	4,560	17,632	\$23,700
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	49,412	142,586	17,632	209,630
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	17,597	(16,497)		1,100
Other Financing Receipts/(Disbursements):				
Transfers-In		29,938		29,938
Transfers-Out	(29,938)			(29,938)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(29,938)	29,938		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(12,341)	13,441		1,100
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	45,095	62,114	22,959	130,168
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$32,754	\$75,555	\$22,959	\$131,268

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

**SALEM TOWNSHIP
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>FIDUCIARY FUND</u> <u>Non-Expendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	<u>\$6,623</u>
Total Operating Cash Receipts	6,623
Cash Disbursements:	
Current:	
Supplies and Materials	<u>117</u>
Total Cash Disbursements	117
Total Receipts Over/(Under) Disbursements	<u>6,506</u>
Fund Cash Balances, January 1	<u>63,160</u>
Fund Cash Balances, December 31	<u><u>\$69,666</u></u>

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

**SALEM TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Salem Township, Shelby County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township utilizes the Shelby County Sheriff's Department to provide security of persons and property.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

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

**SALEM TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 to the Township residents.

Cemetery Fund - This fund receives money from the sale of plots and the opening and closing of graves to be used for cemetery upkeep.

3. Capital Project Funds

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

Public Works Projects - The Township, in conjunction with other Shelby County townships, received a grant from the State of Ohio to repair the Township roads.

4. Fiduciary Funds (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary funds:

Cemetery Bequest Funds - Non-expendable trust funds. Amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

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.

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 carried over and need not be reappropriated. The Township had no outstanding encumbrances at December 31, 2000 and 1999. A summary of 2000 and 1999 budgetary activity appears in Note 3.

**SALEM TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$195,522	\$149,910
Certificates of deposit	53,919	51,024
Total deposits	\$249,441	\$200,934

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,607	\$55,994	(\$3,613)
Special Revenue	181,058	160,080	(20,978)
Capital Projects	40,000	30,380	(9,620)
Fiduciary	3,230	3,597	367
Total	\$283,895	\$250,051	(\$33,844)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,361	\$67,315	\$25,046
Special Revenue	256,554	134,111	122,443
Capital Projects	62,959	0	62,959
Fiduciary	11,964	118	11,846
Total	\$423,838	\$201,544	\$222,294

**SALEM TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,530	\$67,009	\$17,479
Special Revenue	129,772	156,027	26,255
Capital Projects	27,932	17,632	(10,300)
Fiduciary	5,485	6,623	1,138
Total	\$212,719	\$247,291	\$34,572

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,625	\$79,350	\$15,275
Special Revenue	191,706	142,586	49,120
Capital Projects	33,259	17,632	15,627
Fiduciary	2,180	117	2,063
Total	\$321,770	\$239,685	\$82,085

4. PROPERTY TAX

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

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

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

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

**SALEM TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio, a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for January 1999 through June 2000 and an amount equal to 8.13% of participants' gross salaries for July 2000 through December 2000. The Township has paid all contributions required through December 31, 2000.

6. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Township also provides health insurance to elected officials and full-time employees through a private carrier.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Salem Township
Shelby County
P.O. Box 187
Port Jefferson, Ohio 45360

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Shelby County, (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 2, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 2, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 2, 2001.

Salem Township
Shelby County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 2, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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SALEM TOWNSHIP

SHELBY 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 1, 2001**