



**Auditor of State  
Betty Montgomery**



**SALEM TOWNSHIP  
OTTAWA COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Salem Township  
Ottawa County  
11650 W. Portage River South Road  
P.O. Box 417  
Oak Harbor, Ohio 43449-0417

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Ottawa County, (the Township) as of and for the years ended December 31, 2003 and 2002. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits 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.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments

We believe that our audits provide a reasonable basis for our opinion.

As described 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 and reserves for encumbrances of the Township as of December 31, 2003 and 2002, 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 May 21, 2004 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 audits.

This report is intended solely for the information and use of management, the Board of Trustees, 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.



**Betty Montgomery**  
Auditor of State

May 21, 2004

**SALEM TOWNSHIP  
OTTAWA COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts</b>				
Local Taxes	\$ 56,351	\$ 209,226		\$ 265,577
Intergovernmental	62,465	94,012	\$ 16,062	172,539
Licenses, Permits, and Fees	3,535	26,652		30,187
Fines, Forfeitures, and Penalties	170			170
Earnings on Investments	2,322	612		2,934
Other Revenue	6,989	9,000		15,989
<b>Total Cash Receipts</b>	<u>131,832</u>	<u>339,502</u>	<u>16,062</u>	<u>487,396</u>
<b>Cash Disbursements</b>				
Current:				
General Government	70,496		96	70,592
Public Works	102,003	192,901		294,904
Health	14,468	58,468		72,936
Capital Outlay	35,973			35,973
<b>Total Cash Disbursements</b>	<u>222,940</u>	<u>251,369</u>	<u>96</u>	<u>474,405</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(91,108)</u>	<u>88,133</u>	<u>15,966</u>	<u>12,991</u>
<b>Other Financing Receipts</b>				
Other Sources	3,546			3,546
<b>Total Other Financing Receipts</b>	<u>3,546</u>			<u>3,546</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	<u>(87,562)</u>	<u>88,133</u>	<u>15,966</u>	<u>16,537</u>
<b>Fund Cash Balances, January 1</b>	<u>221,610</u>	<u>108,815</u>		<u>330,425</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 134,048</b></u>	<u><b>\$ 196,948</b></u>	<u><b>\$ 15,966</b></u>	<u><b>\$ 346,962</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$ 21,680</b></u>	<u><b>\$ 49,883</b></u>		<u><b>\$ 71,563</b></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**SALEM TOWNSHIP  
OTTAWA COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts</b>			
Local Taxes	\$ 54,390	\$ 206,409	\$ 260,799
Intergovernmental	113,231	87,701	200,932
Licenses, Permits, and Fees	3,265	25,293	28,558
Earnings on Investments	3,974	995	4,969
Other Revenue	5,730	12,268	17,998
	<b>180,590</b>	<b>332,666</b>	<b>513,256</b>
<b>Cash Disbursements</b>			
Current:			
General Government	66,146		66,146
Public Works	52,722	252,563	305,285
Health	10,400	89,362	99,762
Capital Outlay	8,992	13,145	22,137
	<b>138,260</b>	<b>355,070</b>	<b>493,330</b>
Total Cash Disbursements	<b>138,260</b>	<b>355,070</b>	<b>493,330</b>
Total Receipts Over/(Under) Disbursements	<b>42,330</b>	<b>(22,404)</b>	<b>19,926</b>
<b>Other Financing Receipts</b>			
Other Uses	(329)		(329)
	<b>(329)</b>		<b>(329)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<b>42,001</b>	<b>(22,404)</b>	<b>19,597</b>
Fund Cash Balances, January 1	<b>179,609</b>	<b>131,219</b>	<b>310,828</b>
<b>Fund Cash Balances, December 31</b>	<b>\$ 221,610</b>	<b>\$ 108,815</b>	<b>\$ 330,425</b>
Reserve for Encumbrances, December 31			

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**SALEM TOWNSHIP  
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Salem Township, Ottawa 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 road and bridge maintenance, cemetery maintenance, and general governmental services.

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**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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:

**SALEM TOWNSHIP  
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**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:

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

Cemetery Fund - This fund receives property tax money for the maintenance of Township cemeteries.

**3. Fiduciary Fund (Agency Fund)**

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Portage Joint Fire District Agency Fund - This fund accounts for inter-governmental monies from the State that will be forwarded to the Portage Joint Fire District.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) 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.

**SALEM TOWNSHIP  
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**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>2003</u>	<u>2002</u>
Demand deposits	\$ 343,962	\$ 327,425
Certificates of deposit	3,000	3,000
Total deposits and investments	<u>\$ 346,962</u>	<u>\$ 330,425</u>

**SALEM TOWNSHIP  
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

Deposits are either 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, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 135,024	\$ 135,378	\$ 354
Special Revenue	303,005	339,502	36,497
Total	<u>\$ 438,029</u>	<u>\$ 474,880</u>	<u>\$ 36,851</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 354,000	\$ 244,620	\$ 109,380
Special Revenue	409,000	301,252	107,748
Total	<u>\$ 763,000</u>	<u>\$ 545,872</u>	<u>\$ 217,128</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 115,024	\$ 180,590	\$ 65,566
Special Revenue	288,005	332,666	44,661
Total	<u>\$ 403,029</u>	<u>\$ 513,256</u>	<u>\$ 110,227</u>

**SALEM TOWNSHIP  
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 294,242	\$ 138,589	\$ 155,653
Special Revenue	405,300	355,070	50,230
Total	\$ 699,542	\$ 493,659	\$ 205,883

**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 payments, the first half is due December 31. The second half payment is due the following June 20.

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. RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. 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. For 2003 and 2002, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

**SALEM TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive Property and General Liability.
- Vehicles.
- Official's Liability
- Inland Marine
- Commercial Umbrella Coverage.



**Auditor of State  
Betty Montgomery**

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

Salem Township  
Ottawa County  
11650 W. Portage River South Road  
P.O. Box 417  
Oak Harbor, Ohio 43449-0417

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Ottawa County, (the Township) as of and for the years ended December 31, 2003 and 2002 and have issued our report thereon dated May 21, 2004 wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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 May 21, 2004.

### **Internal Control over Financial Reporting**

In planning and performing our audits, 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 May 21, 2004.

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



**Betty Montgomery**  
Auditor of State

May 21, 2004



**SALEM TOWNSHIP  
OTTAWA COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40162-001	Ohio Revised Code § 135.12, designating a public depository	Yes	





**Auditor of State  
Betty Montgomery**

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**SALEM TOWNSHIP**

**OTTAWA 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  
JUNE 24, 2004**