



**Auditor of State
Betty Montgomery**

**SALEM TOWNSHIP
SHELBY COUNTY**

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**Auditor of State
Betty Montgomery**

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 5, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Salem Township
Shelby County
P.O. Box 187
Port Jefferson, OH 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, 2004 and 2003. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 processes its financial transactions with 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 audit 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Salem Township, Shelby County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 5, 2005

**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, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$17,862	\$62,421		\$80,283
Intergovernmental	48,931	79,650		128,581
Special Assessments		1,774		1,774
Licenses, Permits, and Fees	1,786	27,875		29,661
Earnings on Investments	466	224		690
Other Revenue	570	1,016		1,586
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	69,615	172,960		242,575
Cash Disbursements:				
Current:				
General Government	35,473	475		35,948
Public Safety		50,933		50,933
Public Works		61,670		61,670
Health	9,346	29,155		38,501
Capital Outlay	264		\$3,400	3,664
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	45,083	142,233	3,400	190,716
Total Receipts Over Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	24,532	30,727	(3,400)	51,859
Other Financing Receipts and (Disbursements):				
Transfers-In		7,344	18,253	25,597
Transfers-Out	(25,597)			(25,597)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(25,597)	7,344	18,253	
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	(1,065)	38,071	14,853	51,859
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	29,047	51,112	87,941	168,100
Fund Cash Balances, December 31	<hr/> \$27,982 <hr/>	<hr/> \$89,183 <hr/>	<hr/> \$102,794 <hr/>	<hr/> \$219,959 <hr/>

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

SALEM TOWNSHIP
SHELBY COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Interest	<u>\$290</u>
Total Operating Cash Receipts	<u>290</u>
Operating Cash Disbursements:	
Supplies and Materials	<u>136</u>
Total Operating Cash Disbursements	<u>136</u>
Operating Income	<u>154</u>
Fund Cash Balances, January 1	<u>82,047</u>
Fund Cash Balances, December 31	<u><u>\$82,201</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, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$17,705	\$60,968		\$78,673
Intergovernmental	36,877	66,310	\$23,294	126,481
Special Assessments		1,829		1,829
Licenses, Permits, and Fees	1,003	20,042		21,045
Earnings on Investments	501	79		580
Other Revenue	3,215	4,570		7,785
Total Cash Receipts	<u>59,301</u>	<u>153,798</u>	<u>23,294</u>	<u>236,393</u>
Cash Disbursements:				
Current:				
General Government	35,530	365		35,895
Public Safety		51,901		51,901
Public Works		85,707		85,707
Health	6,106	31,713		37,819
Capital Outlay	124	32	28,267	28,423
Total Cash Disbursements	<u>41,760</u>	<u>169,718</u>	<u>28,267</u>	<u>239,745</u>
Total Receipts (Under) Disbursements	<u>17,541</u>	<u>(15,920)</u>	<u>(4,973)</u>	<u>(3,352)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In			17,076	17,076
Transfers-Out	(17,076)			(17,076)
Total Other Financing Receipts/(Disbursements)	<u>(17,076)</u>		<u>17,076</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	465	(15,920)	12,103	(3,352)
Fund Cash Balances, January 1	<u>28,582</u>	<u>67,032</u>	<u>75,838</u>	<u>171,452</u>
Fund Cash Balances, December 31	<u>\$29,047</u>	<u>\$51,112</u>	<u>\$87,941</u>	<u>\$168,100</u>

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

SALEM TOWNSHIP
SHELBY COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Interest	<u>\$5,570</u>
Total Operating Cash Receipts	<u>5,570</u>
Operating Cash Disbursements:	
Purchased Services	1,000
Supplies and Materials	<u>210</u>
Total Operating Cash Disbursements	<u>1,210</u>
Operating Income	<u>4,360</u>
Fund Cash Balances, January 1	<u>77,687</u>
Fund Cash Balances, December 31	<u><u>\$82,047</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, 2004 AND 2003**

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 Salem Township, Shelby 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 Maplewood Fire Department and the Village of Port Jefferson Fire Department to provide fire protection and the Perry Port Salem Ambulance District to provide ambulance 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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 Investments

The Township maintained a checking account, savings account, and certificates of deposit during the audit period which 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from 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.

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

**SALEM TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

3. Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds.

Public Works Commission Projects Fund – The Township received a grant from the State of Ohio for a road paving project. These funds were applied for by Turtle Creek Township as a part of a countywide road paving project involving all fourteen townships in Shelby County.

Building and Equipment Fund – This fund was established to accumulate funds for the purpose of constructing a new Township building in the future. Funds are transferred to this fund by resolution from the General Fund of the Township on an annual basis.

4. Fiduciary Funds (Non Expendable Trust Funds)

These funds accounts for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary funds:

Cemetery Bequest Funds – Amounts donated are maintained in perpetuity. Investment earnings are used 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 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 canceled, and reappropriated in the subsequent year.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**SALEM TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$247,660	\$188,446
Certificates of deposit	54,500	61,701
Total deposits	\$302,160	\$250,147

Deposits: Deposits are 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, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,497	\$69,615	\$7,118
Special Revenue	158,698	180,304	21,606
Capital Projects	20,000	18,253	(1,747)
Fiduciary	1,900	290	(1,610)
Total	\$243,095	\$268,462	\$25,367

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,920	\$70,680	\$22,240
Special Revenue	208,435	142,233	66,202
Capital Projects	107,941	3,400	104,541
Fiduciary	37,378	136	37,242
Total	\$446,674	\$216,449	\$230,225

**SALEM TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,194	\$59,301	(\$10,893)
Special Revenue	174,484	153,798	(20,686)
Capital Projects	24,411	40,370	15,959
Fiduciary	6,400	5,570	(830)
Total	<u>\$275,489</u>	<u>\$259,039</u>	<u>(\$16,450)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$98,025	\$58,836	\$39,189
Special Revenue	241,517	169,718	71,799
Capital Projects	100,249	28,267	71,982
Fiduciary	22,180	1,210	20,970
Total	<u>\$461,971</u>	<u>\$258,031</u>	<u>\$203,940</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

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 plan. The Ohio Revised Code prescribes the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, members of OPERS contributed 8.5 percent of their wages. The Township contributed an amount equal to 13.55 percent of their wages to OPERS. The Township has paid all contributions required through December 31, 2004.

**SALEM TOWNSHIP
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

7. 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.

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Auditor of State Betty Montgomery

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

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

To the Board of Trustees:

We have audited the financial statements of Salem Township, Shelby County, (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 5, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 5, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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, providing an opinion 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*. In a separate letter to the Township's management dated August 5, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Salem Township
Shelby County
Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 5, 2005



**Auditor of State
Betty Montgomery**

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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
AUGUST 30, 2005**