



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SALEM TOWNSHIP  
WARREN COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Salem Township  
Warren County  
P.O. Box 171  
Morrow, Ohio 45152

To the Board of Trustees:

### Report on the Audit of the Financial Statements

#### ***Unmodified and Adverse Opinions***

We have audited the financial statements of the Salem Township, Warren County, Ohio (the Township), which comprises the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

#### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

#### ***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* section of our report, the accompanying financial statements 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, 2022 and 2021, or the changes in financial position thereof for the years then ended.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio  
June 25, 2024

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**Salem Township***Warren County, Ohio**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2022*

|   | General         | Special<br>Revenue | Debt<br>Service  | Totals<br>(Memorandum<br>Only) |
|---|-----------------|--------------------|------------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                 |                    |                  |                                |
| Property and Other Local Taxes                        | \$178,471       | \$1,724,240        |                  | \$1,902,712                    |
| Charges for Services                                  |                 | 176,991            |                  | 176,991                        |
| Licenses, Permits and Fees                            | 19,360          | 46,805             |                  | 66,165                         |
| Intergovernmental                                     | 58,779          | 493,349            |                  | 552,127                        |
| Special Assessments                                   |                 | 4,686              |                  | 4,686                          |
| Earnings on Investments                               | 20,214          | 8,204              |                  | 28,418                         |
| Miscellaneous   | 833             | 158,966            |                  | 159,799                        |
| <i>Total Cash Receipts</i>                            | <u>277,657</u>  | <u>2,613,241</u>   |                  | <u>2,890,898</u>               |
| <b>Cash Disbursements</b>                             |                 |                    |                  |                                |
| <b>Current:</b>                                       |                 |                    |                  |                                |
| General Government                                    | 236,326         |                    |                  | 236,326                        |
| Public Safety   |                 | 1,520,283          |                  | 1,520,283                      |
| Public Works  | 15,937          | 455,307            |                  | 471,244                        |
| Health  | 38,356          | 30,964             |                  | 69,320                         |
| Capital Outlay  | 12,280          | 182,236            |                  | 194,516                        |
| Debt Service:   |                 |                    |                  |                                |
| Principal Retirement                                  |                 | 33,626             | 88,000           | 121,626                        |
| Interest and Fiscal Charges                           |                 | 3,918              | 45,255           | 49,173                         |
| <i>Total Cash Disbursements</i>                       | <u>302,899</u>  | <u>2,226,334</u>   | <u>133,255</u>   | <u>2,662,488</u>               |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>(25,242)</u> | <u>386,907</u>     | <u>(133,255)</u> | <u>228,410</u>                 |
| <b>Other Financing Receipts (Disbursements)</b>       |                 |                    |                  |                                |
| Transfers In  |                 |                    | 134,760          | 134,760                        |
| Transfers Out   |                 | (134,760)          |                  | (134,760)                      |
| <i>Total Other Financing Receipts (Disbursements)</i> |                 | <u>(134,760)</u>   | <u>134,760</u>   |                                |
| <i>Net Change in Fund Cash Balances</i>               | (25,242)        | 252,147            | 1,505            | 228,410                        |
| <i>Fund Cash Balances, January 1</i>                  | <u>967,713</u>  | <u>2,480,796</u>   |                  | <u>3,448,509</u>               |
| <i>Fund Cash Balances, December 31</i>                | <u>942,471</u>  | <u>2,732,943</u>   | <u>1,505</u>     | <u>3,676,919</u>               |

*See accompanying notes to the basic financial statements*

**Salem Township**  
*Warren County, Ohio*  
*Combined Statement of Additions, Deductions*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Fiduciary Fund Types*  
*For the Year Ended December 31, 2022*

|   | Private<br>Purpose<br>Trust |
|---|-----------------------------|
| <b>Additions</b>                        |                             |
| Earnings on Investments (trust funds c  | \$204                       |
| <i>Total Additions</i>                  | 204                         |
| <b>Deductions:</b>                      |                             |
| Other Deductions                        | -                           |
| <i>Total Deductions</i>                 | -                           |
| <i>Net Change in Fund Cash Balances</i> | 204                         |
| <i>Fund Cash Balances, January 1</i>    | 43,742                      |
| <i>Fund Cash Balances, December 31</i>  | \$43,946                    |

*See accompanying notes to the basic financial statements*

**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Salem Township, Warren 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 Medicount Management to provide ambulance billings.

***Public Entity Risk Pools***

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are all organized on a fund type basis.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

***Gas Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Fire District Fund*** This fund receives fire levy tax proceeds from the Fire Department Levy and receives money from another entity to provide fire protection services.

**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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***Ambulance Operating Fund*** This fund receives money from individuals using the ambulance service and a contract with another entity for EMS services.

***Debt Service Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

***General Bond Retirement Fund*** This fund accounts for sources the Township accumulates to pay bond and note debt.

***Fiduciary Funds*** Fiduciary funds include private purpose trust funds. Trust funds account for assets held under a trust agreement meeting certain requirements.

The Township's private purpose trust funds are for the benefit of certain individuals.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

***Budgetary Process***

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

***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. Unencumbered appropriations lapse at year end.

***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 approve estimated resources.

***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 2022 budgetary activity appears in Note 4.

**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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***Deposits and Investments***

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Township values Certificates of Deposits at cost. Investments in STAR Ohio are recorded at share values that STAR Ohio reports.

***Capital Assets***

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

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***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:

***Nonspendable*** The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

***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.

***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.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

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

**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds by \$2,969,506 for the year ended December 31, 2022.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending 2022 follows:

| 2022 Budgeted vs. Actual Receipts |                      |                    |                  |
|-----------------------------------|----------------------|--------------------|------------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance         |
| General                           | \$256,697            | \$277,657          | \$20,960         |
| Special Revenue                   | 2,414,514            | 2,613,241          | 198,727          |
| Debt Service                      | 156,506              | 134,760            | (21,746)         |
| Trust                             | 0                    | 204                | 204              |
| Total                             | <u>\$2,827,717</u>   | <u>\$3,025,862</u> | <u>\$198,145</u> |

| 2022 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |                      |
|---|----------------------------|---------------------------|----------------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance             |
| General   | \$0                        | \$320,820                 | (\$320,820)          |
| Special Revenue                                       | 0                          | 2,515,431                 | (2,515,431)          |
| Debt Service  | 0                          | 133,255                   | (133,255)            |
| Trust   | 0                          | 0                         | 0                    |
| Total   | <u>\$0</u>                 | <u>\$2,969,506</u>        | <u>(\$2,969,506)</u> |

**Note 5 – Deposits and Investments**

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments.

A summary of the Township's deposit and investment accounts are as follows:

**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

|  | 2022        |
|--|-------------|
| <b><i>Cash Management Pool:</i></b>  |             |
| Demand deposits  | \$2,042,719 |
| Certificates of deposit  | 643,500     |
| Other time deposits (savings and NOW accounts)   |             |
| Total deposits   | 2,686,219   |
| STAR Ohio  | 1,034,646   |
| Total investments  | 1,034,646   |
| <i>Total carrying amount of deposits and investments held in the Pool (ties to FS)</i> | \$3,720,865 |

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

***Investments***

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**Note 6 – Property Taxes**

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

**Note 7 – Risk Management**

***Commercial Insurance***

**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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The Township has obtained commercial insurance for the following risks:

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

***Risk Pool Membership***

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

|                       | 2022         |
|-----------------------|--------------|
| Cash and investments  | \$32,288,098 |
| Actuarial liabilities | \$9,146,434  |

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2022.

***Ohio Police and Fire Retirement System***

The Township's certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System. (OPERS) OP&F and OPERS are cost



**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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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. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters' wages, respectively. The Township has paid all contributions required through December 31, 2022.

**Note 9 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2022. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**Note 10 – Debt**

Debt outstanding at December 31, 2022, was as follows:

|                               | Principal   | Interest Rate |
|-------------------------------|-------------|---------------|
| Fire Station Obligation Bonds | \$1,205,000 | 3.50%         |
| 2016 Freightliner Truck       | 22,631      | 3.27%         |
| 2019 Case Loader Backhoe      | 64,485      | 3.19%         |
| Kenworth T800 Tanker          | 250,000     | 4.19%         |
| Total                         | \$1,542,116 |               |

In February 2009, The Township issued Fire Station Improvement Bonds in the amount of \$2,450,000. The Township's taxing authority collateralized the bonds. This debt was refinanced in July 2016, for a lower interest rate of 3.5%. Principal is to be paid on the bonds annually and interest is to be paid semi-annually on the outstanding balance. The obligation has a maturity date of December 1, 2033.

In June 2016, the Township entered into a master installment purchase agreement with Mercedes-Benz Financial Services USA, LLC to purchase a 2016 Freightliner Truck for road maintenance. The obligation has a maturity date of June 1, 2023.

In January 2020, the Township entered into a Government Obligation Contract with Kansas State Bank to purchase a backhoe for road maintenance and to aid the Township with daily operations. The obligation has a maturity date of January 15, 2027.

**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

***Lease to Purchase Agreement***

In August 2022, the Township entered into a lease to purchase agreement for \$250,000 to purchase a tanker for use by the fire department. Payments begin in 2024.

***Amortization***

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

| Year Ending<br>December 31: | General<br>Obligation<br>Bonds | Freightliner<br>Truck | Backhoe         | Tanker           |
|-----------------------------|--------------------------------|-----------------------|-----------------|------------------|
| 2023                        | \$134,175                      | \$23,371              | \$14,173        | \$0              |
| 2024                        | 133,955                        | 0                     | 14,173          | 50,003           |
| 2025                        | 133,630                        | 0                     | 14,173          | 50,003           |
| 2026                        | 119,700                        | 0                     | 14,173          | 50,003           |
| 2027                        | 133,630                        | 0                     | 14,173          | 50,003           |
| 2028-2032                   | 669,330                        | 0                     | 0               | 100,006          |
| 2033-2037                   | 133,515                        | 0                     | 0               | 0                |
| Total                       | <u>\$1,457,935</u>             | <u>\$23,371</u>       | <u>\$70,866</u> | <u>\$300,017</u> |

**Note 11 – Fund Balances**

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

| Fund Balances            | General         | Special<br>Revenue | Total            |
|--------------------------|-----------------|--------------------|------------------|
| Outstanding Encumbrances | 17,921          | 154,337            | 172,258          |
| Total                    | <u>\$17,921</u> | <u>\$154,337</u>   | <u>\$172,258</u> |

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, debt service, capital projects, and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**Note 12 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-

**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2022, the Township received \$192,538 from American Rescue Act funding. These amounts are reflected as intergovernmental receipts in the Special Revenue Funds on the accompanying financial statements.

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**Salem Township**

Warren County, Ohio

Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2021

|   | General          | Special<br>Revenue | Debt<br>Service  | Totals<br>(Memorandum<br>Only) |
|---|------------------|--------------------|------------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                  |                    |                  |                                |
| Property and Other Local Taxes                        | \$127,759        | \$1,553,170        |                  | \$1,680,929                    |
| Charges for Services                                  |                  | 192,262            |                  | 192,262                        |
| Licenses, Permits and Fees                            | 18,466           | 50,329             |                  | 68,795                         |
| Intergovernmental                                     | 52,595           | 685,679            |                  | 738,274                        |
| Special Assessments                                   |                  | 5,157              |                  | 5,157                          |
| Earnings on Investments                               | 10,442           | 4,238              |                  | 14,680                         |
| Miscellaneous   | 1,596            | 204,969            |                  | 206,565                        |
| <i>Total Cash Receipts</i>                            | <u>210,858</u>   | <u>2,695,804</u>   |                  | <u>2,906,662</u>               |
| <b>Cash Disbursements</b>                             |                  |                    |                  |                                |
| <b>Current:</b>                                       |                  |                    |                  |                                |
| General Government                                    | 203,559          |                    |                  | 203,559                        |
| Public Safety   |                  | 1,688,523          |                  | 1,688,523                      |
| Public Works  |                  | 408,437            |                  | 408,437                        |
| Health  | 23,321           | 60,457             |                  | 83,778                         |
| Capital Outlay  |                  | 66,429             |                  | 66,429                         |
| <b>Debt Service:</b>                                  |                  |                    |                  |                                |
| Principal Retirement                                  |                  | 32,565             | 86,000           | 118,565                        |
| Interest and Fiscal Charges                           |                  | 4,978              | 48,265           | 53,243                         |
| <i>Total Cash Disbursements</i>                       | <u>226,880</u>   | <u>2,261,389</u>   | <u>134,265</u>   | <u>2,622,534</u>               |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>(16,022)</u>  | <u>434,415</u>     | <u>(134,265)</u> | <u>284,128</u>                 |
| <b>Other Financing Receipts (Disbursements)</b>       |                  |                    |                  |                                |
| Transfers In  |                  |                    | 134,265          | 134,265                        |
| Transfers Out   |                  | (134,265)          |                  | (134,265)                      |
| <i>Total Other Financing Receipts (Disbursements)</i> |                  | <u>(134,265)</u>   | <u>134,265</u>   | <u>-</u>                       |
| <i>Net Change in Fund Cash Balances</i>               | (16,022)         | 300,150            |                  | 284,128                        |
| <i>Fund Cash Balances, January 1, Restated</i>        | <u>983,735</u>   | <u>2,180,646</u>   |                  | <u>3,164,381</u>               |
| <i>Fund Cash Balances, December 31</i>                | <u>\$967,713</u> | <u>\$2,480,796</u> |                  | <u>\$3,448,509</u>             |

See accompanying notes to the basic financial statements

**Salem Township**

*Warren County, Ohio*

*Combined Statement of Additions, Deductions  
and Changes in Fund Balances (Regulatory Cash Basis)*

*All Fiduciary Fund Types*

*For the Year Ended December 31, 2021*

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|  | Private<br>Purpose<br>Trust |
|--|-----------------------------|
| <b>Additions</b>                               |                             |
| Earnings on Investments (trust funds only)     | \$242                       |
| <i>Total Additions</i>                         | 242                         |
| <b>Deductions:</b>                             |                             |
| Other Deductions                               |                             |
| <i>Total Deductions</i>                        | -                           |
| <i>Net Change in Fund Cash Balances</i>        | 242                         |
| <i>Fund Cash Balances, January 1, Restated</i> | 43,500                      |
| <i>Fund Cash Balances, December 31</i>         | \$43,742                    |

*See accompanying notes to the basic financial statements*

**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Salem Township, Warren 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 Medicount Management to provide ambulance billings.

***Public Entity Risk Pools***

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 6 to the financial statements provide additional information for this entity.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are all organized on a fund type basis.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

***Gas Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Fire District Fund*** This fund receives fire levy tax proceeds from the Fire Department Levy and receives money from another entity to provide fire protection services.

**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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***Ambulance Operating Fund*** This fund receives money from individuals using the ambulance service and a contract with another entity for EMS services.

***Debt Service Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

***General Bond Retirement Fund*** This fund accounts for sources the Township accumulates to pay bond and note debt.

***Fiduciary Funds*** Fiduciary funds include private purpose trust funds. Trust funds account for assets held under a trust agreement meeting certain requirements.

The Township's private purpose trust funds are for the benefit of certain individuals.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

***Budgetary Process***

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

***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. Unencumbered appropriations lapse at year end.

***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 approve estimated resources.

***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 2021 budgetary activity appears in Note 3.



**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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***Deposits and Investments***

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Township values Certificates of Deposits at cost. Investments in STAR Ohio are recorded at share values that STAR Ohio reports.

***Capital Assets***

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

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***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:

***Nonspendable*** The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

***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.

***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.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

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

**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending 2021 follows:

| 2021 Budgeted vs. Actual Receipts |                      |                    |                  |
|-----------------------------------|----------------------|--------------------|------------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance         |
| General                           | \$244,799            | \$210,858          | (\$33,941)       |
| Special Revenue                   | 2,232,514            | 2,695,804          | 463,290          |
| Debt Service                      | 156,506              | 134,265            | (22,241)         |
| Trust                             | 0                    | 242                | 242              |
| <b>Total</b>                      | <b>\$2,633,819</b>   | <b>\$3,041,169</b> | <b>\$407,350</b> |

| 2021 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |                    |
|---|----------------------------|---------------------------|--------------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance           |
| General   | \$1,228,534                | \$227,533                 | \$1,001,001        |
| Special Revenue                                       | 4,413,161                  | 2,403,116                 | 2,010,045          |
| Debt Service  | 156,506                    | 134,265                   | 22,241             |
| Trust   | 0                          | 0                         | 0                  |
| <b>Total</b>  | <b>\$5,798,201</b>         | <b>\$2,764,914</b>        | <b>\$3,033,287</b> |

**Note 4 – Deposits and Investments**

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments.

A summary of the Township's deposit and investment accounts are as follows:

|  | 2021               |
|--|--------------------|
| <b>Cash Management Pool:</b>   |                    |
| Demand deposits  | \$1,831,509        |
| Certificates of deposit  | 643,500            |
| Total deposits   | 2,475,009          |
| STAR Ohio  | 1,017,242          |
| Total investments  | 1,017,242          |
| <i>Total carrying amount of deposits and investments held in the Pool (ties to FS)</i> | <b>\$3,492,251</b> |

**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

***Investments***

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**Note 5 – Property Taxes**

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

**Note 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.

***Risk Pool Membership***

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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- General liability and casualty
- Public official’s liability
- Cyber
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

|                       | 2021         |
|-----------------------|--------------|
| Cash and investments  | \$34,880,599 |
| Actuarial liabilities | \$10,601,444 |

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2021.

***Ohio Police and Fire Retirement System***

The Township’s certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System. (OPERS) OP&F and 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. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters’ wages, respectively. The Township has paid all contributions required through December 31, 2021.

**Note 8 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in

**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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the traditional pension plan and combined plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**Note 9 – Debt**

Debt outstanding at December 31, 2021, was as follows:

|                               | <u>Principal</u> | <u>Interest Rate</u> |
|-------------------------------|------------------|----------------------|
| Fire Station Obligation Bonds | \$1,293,000      | 3.50%                |
| 2016 Freightliner Truck       | 44,545           | 3.27%                |
| 2019 Case Loader Backhoe      | 76,197           | 3.19%                |
| Total                         | \$1,413,742      |                      |

In February 2009, The Township issued Fire Station Improvement Bonds in the amount of \$2,450,000. The Township’s taxing authority collateralized the bonds. This debt was refinanced in July 2016, for a lower interest rate of 3.5%. Principal is to be paid on the bonds annually and interest is to be paid semi-annually on the outstanding balance. The obligation has a maturity date of December 1, 2033.

In June 2016, the Township entered into a master installment purchase agreement with Mercedes-Benz Financial Services USA, LLC to purchase a 2016 Freightliner Truck for road maintenance. The obligation has a maturity date of June 1, 2023.

In January 2020, the Township entered into a Government Obligation Contract with Kansas State Bank to purchase a backhoe for road maintenance and to aid the Township with daily operations. The obligation has a maturity date of January 15, 2027.

***Amortization***

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

**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

| Year Ending<br>December 31: | General             |                       |                 |
|-----------------------------|---------------------|-----------------------|-----------------|
|                             | Obligation<br>Bonds | Freightliner<br>Truck | Backhoe         |
| 2022                        | \$133,255           | \$23,371              | \$14,173        |
| 2023                        | 134,175             | 23,371                | \$14,173        |
| 2024                        | 133,955             | 0                     | \$14,173        |
| 2025                        | 133,630             | 0                     | \$14,173        |
| 2026                        | 119,700             | 0                     | \$14,173        |
| 2027-2031                   | 669,070             | 0                     | \$14,173        |
| 2032-2036                   | 267,405             | 0                     | 0               |
| <b>Total</b>                | <b>\$1,591,190</b>  | <b>\$46,741</b>       | <b>\$85,039</b> |

**Note 10 – Fund Balances**

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

| Fund Balances            | General      | Special<br>Revenue | Total          |
|--------------------------|--------------|--------------------|----------------|
| Nonspendable:            |              |                    |                |
| Unclaimed Monies         | \$0          | \$0                | \$0            |
| Corpus                   | 0            | 0                  | 0              |
| Outstanding Encumbrances | 653          | 7,462              | 8,115          |
| <b>Total</b>             | <b>\$653</b> | <b>\$7,462</b>     | <b>\$8,115</b> |

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, debt service, capital projects, and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**Note 11 – Fund Reclassification and Restatement of Fund Balances**

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental fund Type Definitions enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprised a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The Township has

**Salem Township**  
*Warren County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

reclassified the fund balances below to comply with GASB Statement No. 54, which resulted in the following change to fund balances at December 31, 2020, as previously reported:

|  | Permanent Fund | Private Purpose Trust Fund |
|--|----------------|----------------------------|
| Fund Balance Previously Reported at 12/31/2020 | \$ 43,500      | \$ 0                       |
| Client Prepared Adjustments 2020               | (\$ 43,500)    | \$ 43,500                  |
| Fund Balance Restated 1/1/2021                 | \$ 0           | \$ 43,500                  |

**Note 12 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2021, the Township received \$191,013 from American Rescue Act funding. \$128,153 of the funds were used for public safety payroll. The Township also spent the remaining balance of Coronavirus Relief Funds received in prior years of \$57,140, for public safety signage and EMS related equipment and supplies. These amounts are reflected as intergovernmental receipts and public safety and capital outlay expenditures in the Special Revenues Fund on the accompanying financial statements.

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# OHIO AUDITOR OF STATE KEITH FABER



65 East State Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
800-282-0370

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Salem Township  
Warren County  
P.O. Box 171  
Morrow, Ohio 45152

To the Board of Trustees:

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of Salem Township, Warren County, (the Township) and have issued our report thereon dated June 25, 2024, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2022-001, 2022-002 and 2022-004 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings as item 2022-003 to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2022-004.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio  
June 25, 2024

**SALEM TOWNSHIP  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021**

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

**FINDING NUMBER 2022-001**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Township lacked management oversight in the proper classification of receipts and disbursements and in the preparation and filing of the financial statements.

The following errors were noted with financial reporting in 2021:

- The Township incorrectly classified \$126,996 of Intergovernmental receipts as Property Tax receipts in the Fire District Fund.
- The Township incorrectly classified \$194,996 of Intergovernmental receipts as Miscellaneous receipts in the Fire District Fund.
- The Township incorrectly classified \$17,889 of Intergovernmental receipts as Property Tax receipts in the General Fund.

The following errors were noted with financial reporting in 2022:

- The Township incorrectly classified \$126,132 of Intergovernmental receipts as Property Tax receipts in the Fire District Fund.
- The Township incorrectly classified \$21,636 of Intergovernmental receipts as Property Tax receipts in the General Fund.
- The Township incorrectly classified \$15,937 of Public Works expenditures as General Government expenditures in the General Fund.
- The Township incorrectly classified \$12,280 of Capital Outlay expenditures as Health expenditures in the General Fund.
- The Township incorrectly classified \$123,452 of Capital Outlay expenditures as Public Safety expenditures in the Ambulance and EMS Fund.

These errors were not identified and corrected prior to the Township preparing its financial statements and notes to the financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. Failure to accurately post and report transactions could result in material errors in the Township's financial statements and reduces the Township's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Township.

The Township also made errors in financial reporting in the Statement of Receipts, Disbursements, and Changes in Fund Balances in amounts ranging from \$5 to \$60,995 in 2022 and 2021.

**FINDING NUMBER 2022-001  
(Continued)**

The Township corrected the financial statements and accounting records, where appropriate.

To help ensure the Township's financial statements are complete and accurate, the Township should implement internal control procedures to identify and correct errors and omissions in the recording of financial transactions.

**Officials' Response:**

The Township Officials did not respond to the finding above.

**FINDING NUMBER 2022-002**

**Material Weakness**

AOS Bulletin 2011-04 provides guidance on Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprised a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry. Private-purpose trust funds should be used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

The Township received money from the Scheurer Trust, which was established to help beautify and maintain the cemetery plots of the Scheurer's family. Under GASB 54 guidelines, the Township should have reported the money as a Private Purpose Trust Fund, instead of a Permanent Fund. This resulted in an adjustment of the Permanent Fund balance to a newly created Private Purpose Trust Fund in the amounts of \$43,500 for 2021 and \$43,500 for 2022. In addition, interest earned on the Certificate of Deposit investment held with trust funds should be receipted into this fund.

The Township has corrected the financial statements and accounting records to address the above posting error and fund misclassification.

The Township should review GASB codification section 1300 to determine when it is appropriate to create a new fund and how the fund should be recorded on the financial statements.

**Officials' Response:**

The Township Officials did not respond to the finding above.

**FINDING NUMBER 2022-003**

**Significant Deficiency**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

**FINDING NUMBER 2022-003  
(Continued)**

The Township presented financial statements that agreed to the December 30, 2022 bank reconciliation. The Township prepared a December 31, 2022 bank reconciliation with an unrecorded other adjusting factor of \$16,087. Of this other adjusting factor, \$14,019 agreed to unrecorded disbursements from a health savings account, \$823 agreed to documented adjustments and the remaining \$1,245 was unidentifiable.

The Township did not complete timely monthly bank reconciliations, and the reconciliations that were prepared did not all receive a supervisory review or approval.

Accurate preparation and timely review of bank reconciliations are the most basic and primary internal control components for sound fiscal management. Failure to reconcile the Township accounts with the accounting system may allow for accounting errors, theft and fraud to occur without timely detection and correction. This condition, combined with the lack of a supervisory review, increases the risk of misappropriation or theft, and reduces the Township's ability to monitor banking activities.

In addition, failure to prepare accurate reconciliations could result in an unaudit status and the Township should seek assistance to properly account for health savings account activity by reaching out to LGS (Local Government Services) or a local accounting agency.

The Township should reconcile all active bank accounts on a monthly basis. The Township should document and adequately explain all adjusting factors. Township trustees should review the monthly reconciliations including the related support (such as reconciling items) and sign the reconciliations indicating their review and approval. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately. For guidance the Township should utilize the Ohio Township Handbook and UAN (Uniform Accounting Network) manuals.

**Officials' Response:**

The Township Officials did not respond to the finding above.

**FINDING NUMBER 2022-004**

**Material Weakness and Noncompliance**

**Ohio Rev. Code § 5705.38(A)** requires that on or about the first day of each fiscal year, the taxing authority of each subdivision shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If the taxing authority desires to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters. The appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

**FINDING NUMBER 2022-004**  
**(Continued)**

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

At December 31, 2022, estimated receipts as posted to the accounting system did not agree to the Certificate of Estimated Resources as follows:

| Fund                       | Certificate of Resources Amount: | Total Estimated Resources Per UAN | Difference |
|----------------------------|----------------------------------|-----------------------------------|------------|
| General                    | 1,224,581                        | 1,252,929                         | (28,348)   |
| Road & Bridge              | 406,028                          | 401,507                           | 4,521      |
| Cemetery                   | 113,214                          | 113,150                           | 64         |
| Fire District              | 2,705,462                        | 2,518,846                         | 186,616    |
| Zoning                     | 15,699                           | 15,692                            | 7          |
| American Rescue ARPA       | 253,875                          | 253,980                           | (105)      |
| Ambulance and EMS Services | 357,894                          | 459,855                           | (101,961)  |

For the year ended December 31, 2022, the Board of Trustees did not approve or sign a permanent appropriation resolution; only temporary appropriations were approved. Further, the Township did not file any appropriations with the County Auditor. Temporary appropriations exceeded Certificate of Resources amounts in the amount of \$4,000 and \$13,000 for the MVGT and Cemetery funds respectively.

No approval by the Board of Trustees of permanent appropriations for the year ended December 31, 2021 was noted however, the County Auditor issued a certificate certifying that the appropriations from each fund did not exceed the official estimate of resources.

Further, we noted supplemental appropriations recorded in the accounting system in both 2022 and 2021, however there was no record of approval by the Board of Trustees.

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

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

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

In addition, the Board should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations.

Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

**FINDING NUMBER 2022-004  
(Continued)**

**Officials' Response:**

The Township Officials did not respond to the finding above.





# OHIO AUDITOR OF STATE KEITH FABER



**SALEM TOWNSHIP**

**WARREN COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 7/16/2024**

65 East State Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)