

SALT ROCK TOWNSHIP
MARION COUNTY
REGULAR AUDIT
FOR YEARS ENDED DECEMBER 31, 2003 AND 2002

BALESTRA, HARR & SCHERER, CPAs, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Salt Rock Township, Marion County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2002 to December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

September 14, 2004

This Page is Intentionally Left Blank.

SALT ROCK TOWNSHIP - MARION COUNTY
YEARS ENDING DECEMBER 31, 2003 AND DECEMBER 31, 2002
TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Governmental Fund Types and Fiduciary Fund Type – For the Year Ended December 31, 2003	2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Governmental Fund Types and Fiduciary Fund Type– For the Year Ended December 31, 2002	3
Notes to the Financial Statements	4-9
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements in Accordance With <i>Government Auditing Standards</i>	10

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying financial statements of Salt Rock Township, Marion County, Ohio, (the Township) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Salt Rock Township, Marion County, Ohio, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2004, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of the audits.

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

July 30, 2004

SALT ROCK TOWNSHIP
MARION COUNTY

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Non-Expendable Trust</u>	
Cash Receipts:				
Local Taxes	\$24,765	\$24,533	\$0	\$49,298
Intergovernmental	10,636	64,250	0	74,886
Charges for Services	0	37,000	0	37,000
Licenses, Permits, and Fees	160	0	0	160
Earnings on Investments	1,737	1,466	23	3,203
Miscellaneous	133	1,303	0	1,436
	<u>37,431</u>	<u>128,552</u>	<u>23</u>	<u>165,983</u>
Cash Disbursements:				
Current:				
General Government	33,321	0	0	33,321
Public Safety	180	29,751	0	29,931
Public Works	0	53,292	0	53,292
Health	3,634	0	0	3,634
Capital Outlay	0	138,275	0	138,275
Debt Service:				
Redemption of Principal	0	15,064	0	15,064
Interest and Other Fiscal Charges	0	10,991	0	10,991
Total Cash Disbursements	<u>37,135</u>	<u>247,373</u>	<u>0</u>	<u>284,508</u>
Total Receipts Over/(Under) Disbursements	<u>296</u>	<u>(118,821)</u>	<u>23</u>	<u>(118,525)</u>
Fund Cash Balances, January 1	<u>98,741</u>	<u>348,571</u>	<u>1,310</u>	<u>448,622</u>
Fund Cash Balances, December 31	<u>\$99,037</u>	<u>\$229,750</u>	<u>\$1,333</u>	<u>\$330,120</u>

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

SALT ROCK TOWNSHIP
MARION COUNTY

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Non-Expendable Trust</u>	
Cash Receipts:				
Local Taxes	\$25,863	\$17,769	\$0	\$43,632
Intergovernmental	17,436	56,981	0	74,417
Charges for Services	0	37,000	0	37,000
Licenses, Permits, and Fees	431	0	0	431
Earnings on Investments	2,072	1,828	54	3,954
Miscellaneous	488	1,894	0	2,382
Total Cash Receipts	46,290	115,472	54	161,816
Cash Disbursements:				
Current:				
General Government	37,332	0	0	37,332
Public Safety	105	27,574	0	27,679
Public Works	0	36,965	0	36,965
Health	2,886	0	0	2,886
Capital Outlay	12,790	59,700	0	72,490
Total Cash Disbursements	53,113	124,239	0	177,352
Total Receipts Over/(Under) Disbursements	(6,823)	(8,767)	54	(15,536)
Other Financing Receipts/(Disbursements):				
Inception of Capital Lease	0	195,158	0	195,158
Total Other Financing Receipts/(Disbursements)	0	195,158	0	195,158
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(6,823)	186,391	54	179,622
Fund Cash Balances, January 1	105,564	162,180	1,256	269,000
Fund Cash Balances, December 31	\$98,741	\$348,571	\$1,310	\$448,622

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

SALT ROCK TOWNSHIP
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Salt Rock Township, Marion County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with Stofcheck Ambulance Service, Inc. 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Township certificate of deposit is valued at cost. The investment in STAR Ohio is recorded at share values reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

SALT ROCK TOWNSHIP
MARION COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Gasoline Tax Fund- This fund receives gasoline tax money to construct, maintain and repair Township roads.

Fire District Fund – This fund receives charges for providing fire protection to other entities.

3. Nonexpendable Trust Fund

This fund is used to account for resources restricted by a legally binding trust agreement in which the interest earned on the principal may be used for the maintenance of the Deal Cemetery.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

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

SALT ROCK TOWNSHIP
MARION COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$194,567	\$181,057
Certificates of deposit	1,000	1,000
Deposits held in escrow	2,310	135,777
Total deposits	\$197,878	\$317,834
STAR Ohio	132,243	130,788
Total deposits and investments	\$330,120	\$448,622

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,244	\$37,431	\$187
Special Revenue	122,076	128,552	6,476
Debt Service	26,055	26,055	0
Non-Expendable Trust	50	23	(27)
Total	\$185,425	\$192,061	\$6,636

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$133,967	\$37,135	\$96,832
Special Revenue	459,065	247,373	211,692
Debt Service	26,055	26,055	0
Non-Expendable Trust	50	0	50
Total	\$619,137	\$310,563	\$308,574

SALT ROCK TOWNSHIP
MARION COUNTY

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

3. BUDGETARY ACTIVITY (Continued)

<u>2002 Budgeted vs. Actual Receipts</u>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,978	\$46,290	\$9,312
Special Revenue	306,478	310,630	4,152
Non-Expendable Trust	108	54	(54)
Total	\$343,564	\$356,974	\$13,410

<u>2002 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$138,371	\$53,113	\$85,258
Special Revenue	318,856	124,239	194,617
Non-Expendable Trust	54	0	54
Total	\$457,281	\$177,352	\$279,929

4. PROPERTY TAX

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

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

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

SALT ROCK TOWNSHIP
MARION COUNTY

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

5. CAPITAL LEASE

On June 3, 2002, the Township entered into a lease/purchase agreement with North Country Financial Group, Inc. for the purpose of obtaining a fire truck and related equipment. The lease amount was \$195,158 at an interest rate of 5.63% for a term of 10 years. The initial payment was due June 3, 2003 with subsequent payments due on June 3 of each year and a final maturity date of June 3, 2012. Capital lease obligations will be paid out of the Township's fire district fund.

An amortization of the capital lease, including interest payments of \$54,401, is as follows:

Year Ending December 31:	Capital Lease
2004	\$26,055
2005	26,055
2006	26,055
2007	26,055
2008	26,055
Thereafter	<u>104,220</u>
Total	<u>\$234,495</u>

5. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

SALT ROCK TOWNSHIP
MARION COUNTY

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

7. RISK MANAGEMENT (Continued)

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$10,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	<u>(9,197,512)</u>	<u>(9,379,003)</u>
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	<u>(1,204,326)</u>	<u>(647,667)</u>
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. The Township has not incurred significant reductions in insurance coverage from coverage in the prior year.

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards*

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

We have audited the accompanying financial statements of Salt Rock Township, Marion County, Ohio (the Township), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated July 30, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

July 30, 2004



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

SALT ROCK TOWNSHIP

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 28, 2004**