



**SALEM TOWNSHIP
MUSKINGUM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SALEM TOWNSHIP
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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-

1389

Facsimile 740-594-2110

REPORT OF INDEPENDENT ACCOUNTANTS

Salem Township
Muskingum County
6970 Leachman Road
Adamsville, Ohio 43802

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Muskingum County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Salem Township, Muskingum County, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2000 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.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

May 12, 2000

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

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$4,651	\$17,695		\$22,346
Intergovernmental	28,560	59,973	\$3,853	92,386
Earnings on Investments	1,228	983		2,211
Other Revenue	814			814
	<u>35,253</u>	<u>78,651</u>	<u>3,853</u>	<u>117,757</u>
Total Cash Receipts				
	<u>35,253</u>	<u>78,651</u>	<u>3,853</u>	<u>117,757</u>
Cash Disbursements:				
Current:				
General Government	20,523			20,523
Public Safety		7,450		7,450
Public Works	2,477	55,661		58,138
Health	550			550
Capital Outlay		2,800	3,853	6,653
	<u>23,550</u>	<u>65,911</u>	<u>3,853</u>	<u>93,314</u>
Total Cash Disbursements				
	<u>23,550</u>	<u>65,911</u>	<u>3,853</u>	<u>93,314</u>
Total Receipts Over/(Under) Disbursements	<u>11,703</u>	<u>12,740</u>	<u>0</u>	<u>24,443</u>
Fund Cash Balances, January 1	<u>18,746</u>	<u>37,743</u>		<u>56,489</u>
Fund Cash Balances, December 31	<u><u>\$30,449</u></u>	<u><u>\$50,483</u></u>	<u><u>\$0</u></u>	<u><u>\$80,932</u></u>

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

**SALEM TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$4,514	\$14,286	\$1,200	\$20,000
Intergovernmental	26,120	63,805	4,634	94,559
Earnings on Investments	1,385	1,246		2,631
Other Revenue	3,664		13	3,677
	<u>35,683</u>	<u>79,337</u>	<u>5,847</u>	<u>120,867</u>
Total Cash Receipts	<u>35,683</u>	<u>79,337</u>	<u>5,847</u>	<u>120,867</u>
Cash Disbursements:				
Current:				
General Government	22,680			22,680
Public Safety		5,736		5,736
Public Works	476	52,097		52,573
Health	585			585
Debt Service:				
Redemption of Principal			15,000	15,000
Interest and Fiscal Charges			1,127	1,127
Capital Outlay		25,143		25,143
	<u>23,741</u>	<u>82,976</u>	<u>16,127</u>	<u>122,844</u>
Total Cash Disbursements	<u>23,741</u>	<u>82,976</u>	<u>16,127</u>	<u>122,844</u>
Total Receipts Over/(Under) Disbursements	<u>11,942</u>	<u>(3,639)</u>	<u>(10,280)</u>	<u>(1,977)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In			10,214	10,214
Transfers-Out	(10,214)			(10,214)
	<u>(10,214)</u>			<u>(10,214)</u>
Total Other Financing Receipts/(Disbursements)	<u>(10,214)</u>	<u>0</u>	<u>10,214</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>1,728</u>	<u>(3,639)</u>	<u>(66)</u>	<u>(1,977)</u>
Fund Cash Balances, January 1	<u>17,018</u>	<u>41,382</u>	<u>66</u>	<u>58,466</u>
Fund Cash Balances, December 31	<u><u>\$18,746</u></u>	<u><u>\$37,743</u></u>	<u><u>\$0</u></u>	<u><u>\$56,489</u></u>

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

**SALEM TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Salem Township, Muskingum County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Adamsville Community Fire Department to provide fire 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.

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

Note Retirement Fund - This fund receives gasoline tax and property tax revenue for the retirement of notes.

**SALEM TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

4. Capital Projects Funds

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

Issue II Fund - The Township received a grant from the Muskingum County Engineer, which was originally from the State of Ohio, to make road improvements on Bradford Road.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

E. 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

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

**SALEM TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. EQUITY IN POOLED CASH (Continued)

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$80,932</u>	<u>\$56,489</u>
Total deposits	<u><u>\$80,932</u></u>	<u><u>\$56,489</u></u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$35,140	\$35,253	\$113
Special Revenue	74,849	78,651	3,802
Capital Projects	<u>3,853</u>	<u>3,853</u>	<u>0</u>
Total	<u><u>\$113,842</u></u>	<u><u>\$117,757</u></u>	<u><u>\$3,915</u></u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$46,430	\$23,550	\$22,880
Special Revenue	104,050	65,911	38,139
Capital Projects	<u>3,853</u>	<u>3,853</u>	<u>0</u>
Total	<u><u>\$154,333</u></u>	<u><u>\$93,314</u></u>	<u><u>\$61,019</u></u>

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$33,846	\$35,683	\$1,837
Special Revenue	73,037	79,337	6,300
Debt Service	<u>16,114</u>	<u>16,061</u>	<u>(53)</u>
Total	<u><u>\$122,997</u></u>	<u><u>\$131,081</u></u>	<u><u>\$8,084</u></u>

**SALEM TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,780	\$33,955	\$3,825
Special Revenue	104,129	82,976	21,153
Debt Service	16,128	16,127	1
Total	\$158,037	\$133,058	\$24,979

4. PROPERTY TAX

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

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

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

5. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members 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, 1999.

6. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389
Facsimile 614-594-2110

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

Salem Township
Muskingum County
6970 Leachman Road
Adamsville, Ohio 43802

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Muskingum County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 12, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1999-41060-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 12, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 12, 2000.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

May 12, 2000

**SALEM TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

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

FINDING NUMBER 1999-41060-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Township did not obtain the Clerk's prior certification of the availability of funds for 45 percent of the transactions we tested, nor was there evidence of a "Then and Now" certificate being used by the Clerk.

We recommend that the Township obtain the Clerk's prior certification for all disbursements.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

SALEM TOWNSHIP

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 1, 2000**