



**SALEM TOWNSHIP
WASHINGTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Salem Township
Washington County
Route 1 Box 22L
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To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Washington 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 the Salem Township, Washington 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 March 15, 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.

Jim Petro
Auditor of State

March 15, 2000

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

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Local Taxes	\$13,946	\$77,129	\$12,600	\$0	\$0	\$103,675
Intergovernmental	39,331	113,736		261,158		414,225
Charges for Services	1,877					1,877
Licenses, Permits, and Fees		2,000				2,000
Earnings on Investments	2,786	1,199			183	4,168
Other Revenue		5,077				5,077
Total Cash Receipts	<u>57,940</u>	<u>199,141</u>	<u>12,600</u>	<u>261,158</u>	<u>183</u>	<u>531,022</u>
Cash Disbursements:						
Current:						
General Government	54,665					54,665
Public Safety		12,103				12,103
Public Works	4,158	174,848				179,006
Health	5,901	3,203				9,104
Debt Service:						
Redemption of Principal		24,000	10,155			34,155
Interest and Fiscal Charges		1,796	2,127			3,923
Capital Outlay				156,372		156,372
Total Cash Disbursements	<u>64,724</u>	<u>215,950</u>	<u>12,282</u>	<u>156,372</u>	<u>0</u>	<u>449,328</u>
Total Receipts Over/(Under) Disbursements	<u>(6,784)</u>	<u>(16,809)</u>	<u>318</u>	<u>104,786</u>	<u>183</u>	<u>81,694</u>
Other Financing Receipts/(Disbursements):						
Other Sources	99					99
Total Other Financing Receipts/(Disbursements)	<u>99</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>99</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(6,685)</u>	<u>(16,809)</u>	<u>318</u>	<u>104,786</u>	<u>183</u>	<u>81,793</u>
Fund Cash Balances, January 1	<u>18,118</u>	<u>124,950</u>	<u>1,344</u>	<u>0</u>	<u>4,518</u>	<u>148,930</u>
Fund Cash Balances, December 31	<u>\$11,433</u>	<u>\$108,141</u>	<u>\$1,662</u>	<u>\$104,786</u>	<u>\$4,701</u>	<u>\$230,723</u>

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

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$12,977	\$72,502	\$14,600	\$0	\$100,079
Intergovernmental	38,827	171,892			210,719
Charges for Services	4,727				4,727
Licenses, Permits, and Fees		3,150			3,150
Earnings on Investments	2,204	1,232		183	3,619
Other Revenue		24,535			24,535
Total Cash Receipts	<u>58,735</u>	<u>273,311</u>	<u>14,600</u>	<u>183</u>	<u>346,829</u>
Cash Disbursements:					
Current:					
General Government	51,241	679			51,920
Public Safety		9,558			9,558
Public Works	4,173	173,029			177,202
Health	2,834	10,165			12,999
Debt Service:					
Redemption of Principal			23,716		23,716
Interest and Fiscal Charges			1,725		1,725
Capital Outlay		143,000			143,000
Total Cash Disbursements	<u>58,248</u>	<u>336,431</u>	<u>25,441</u>	<u>0</u>	<u>420,120</u>
Total Receipts Over/(Under) Disbursements	<u>487</u>	<u>(63,120)</u>	<u>(10,841)</u>	<u>183</u>	<u>(73,291)</u>
Other Financing Receipts/(Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes		93,000			93,000
Sale of Fixed Assets		22,000			22,000
Transfers-In		2,000	4,721		6,721
Transfers-Out	(1,516)	(5,205)			(6,721)
Other Sources	24				24
Total Other Financing Receipts/(Disbursements)	<u>(1,492)</u>	<u>111,795</u>	<u>4,721</u>	<u>0</u>	<u>115,024</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(1,005)</u>	<u>48,675</u>	<u>(6,120)</u>	<u>183</u>	<u>41,733</u>
Fund Cash Balances, January 1	<u>19,123</u>	<u>76,275</u>	<u>7,464</u>	<u>4,335</u>	<u>107,197</u>
Fund Cash Balances, December 31	<u>\$18,118</u>	<u>\$124,950</u>	<u>\$1,344</u>	<u>\$4,518</u>	<u>\$148,930</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Salem Township, Washington 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'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 Funds:

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

Special Levy Fund - This fund receives monies from the County from property taxes for the purchase of an emergency squad.

FEMA Fund - This fund receives money from the State and Federal Governments for repairing Township roads damaged during flooding.

Permissive Sales Tax Fund - This fund receives money from the County from sales tax for maintenance and repair of Township roads.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Debt Service Fund

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

Debt Retirement Fund - This fund is used to retire note debt.

4. Capital Project 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 Funds:

Issue II Fund - This fund received a grant from the State of Ohio to repair roads.

NCRS Fund - This fund received a grant to install gabions baskets as a result of flooding.

5. Fiduciary Fund (Trust Fund)

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

Nonexpendable Trust Fund - This fund received a donation for the upkeep of a cemetery.

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.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$230,723</u>	<u>\$148,930</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

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

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,268	\$58,039	\$4,771
Special Revenue	199,382	199,141	(241)
Debt Service	12,600	12,600	0
Capital Projects	725,613	261,158	(464,455)
Fiduciary	185	183	(2)
Total	<u>\$991,048</u>	<u>\$531,121</u>	<u>(\$459,927)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,386	\$64,724	\$6,662
Special Revenue	317,931	215,950	101,981
Debt Service	13,944	12,282	1,662
Capital Projects	156,372	156,372	0
Fiduciary	4,703	0	4,703
Total	<u>\$564,336</u>	<u>\$449,328</u>	<u>\$115,008</u>

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

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,277	\$58,759	\$3,482
Special Revenue	360,828	390,311	29,483
Debt Service	24,805	19,321	(5,484)
Fiduciary	180	183	3
Total	<u>\$441,090</u>	<u>\$468,574</u>	<u>\$27,484</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$74,400	\$59,764	\$14,636
Special Revenue	293,250	341,636	(48,386)
Debt Service	20,350	25,441	(5,091)
Fiduciary	4,515	0	4,515
Total	<u>\$392,515</u>	<u>\$426,841</u>	<u>(\$34,326)</u>

In 1998, the Township had disbursements exceeding appropriations of \$42,055 in the Gasoline Tax Fund, \$68,180 in the FEMA Fund and \$5,092 in the Debt Retirement Fund. In 1999, the Township had disbursements exceeding appropriations of \$5,218 in the FEMA Fund. This was in violation of Ohio Rev. Code Section 5705.41(B), which prohibits the expenditure of funds unless they have been properly appropriated.

In 1998 and 1999, the Township Clerk made several appropriation amendments without approval of the Board of Trustees or the County Auditor. This was in violation of Ohio Rev. Code Section 5705.40, which provides that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

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.

Public utilities are also taxed on personal and real property located within the Township.

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

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

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Demand Notes	\$50,828	4.9%

Lower Salem Commercial Bank demand notes were taken out in 1997 for the purchase of a radio system by the Township in the amount of \$16,000. These demand notes were paid off during 1998.

The Township borrowed money from Lower Salem Commercial Bank on January 17, 1998 in the amount of \$53,000 for the purchase of an emergency squad vehicle with interest over nine years. The Township borrowed money from Lower Salem Commercial Bank on November 21, 1998 in the amount of \$40,000 for the purchase of a motor galion grader with interest over five years. Amortization of the debt, including interest, is scheduled as follows:

Year ending December 31:	Demand Notes
2000	\$14,569
2001	14,569
2002	14,569
2003	14,569
2004	6,177
Subsequent	18,531
Total	\$82,984

6. RETIREMENT SYSTEMS

The Township's full-time employee, as well as the Trustees and the Clerk, 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 health care, 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, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of the participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township is insured with Government Risk Management Plan. The Insurance Company assumes the risk of loss up to the limits of the Township's policies. Coverage is subject to deductibles and scheduled property. The following risks are covered:

- General liability and casualty
- Public officials' liability
- Vehicles
- Property

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

Salem Township
Washington County
Route 1 Box 22 L
Lowell, Ohio 45744

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 15, 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 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-41084-001 and 1999-41084-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 March 15, 2000.

This report is intended 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.

Jim Petro
Auditor of State

March 15, 2000

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-41084-001

Ohio Revised Code Section 5705.40 provides that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation, as set forth in Ohio Revised Code Section 5705.38.

The Township Clerk amended some appropriations during 1999 and 1998 without a Board resolution, adopted by the Board of Trustees, and the amendments were not submitted to the County Auditor.

We recommend the Township Clerk initiate procedures to ensure that appropriation amendments are adopted by Board resolution and are submitted to the County Auditor following the same procedures as in making an original appropriation measure. The accompanying budgetary presentation was adjusted to reflect only those budget actions approved by the Board.

FINDING NUMBER 1999-41084-002

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

At December 31, 1999, the following funds were found to have expenditures which exceeded appropriations:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
FEMA Fund	\$33,152	\$38,370	(\$5,218)

At December 31, 1998, the following funds were found to have expenditures which exceeded appropriations:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Gasoline Tax Fund	\$71,768	\$113,823	(\$42,055)
Debt Retirement Fund	\$20,350	\$25,442	(\$5,092)
FEMA Fund	\$0	\$68,180	(\$68,180)

We recommend the Township implement procedures to ensure that all expenditures are properly appropriated.



STATE OF OHIO
OFFICE OF THE AUDITOR

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SALEM TOWNSHIP
WASHINGTON 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
APRIL 18, 2000**