



**VILLAGE OF LOWER SALEM  
WASHINGTON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF LOWER SALEM  
WASHINGTON COUNTY

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Lower Salem  
Washington County  
120 Main Street  
P.O. Box 22  
Lower Salem, Ohio 45745

To the Village Council:

We have audited the accompanying financial statements of the Village of Lower Salem, Washington County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village'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 Village 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 Village of Lower Salem, Washington County, as of December 31, 2000 and 1999, 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 April 4, 2001, on our consideration of the Village'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 our audit.

This report is intended solely for the information and use of management, the Village Council 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

April 4, 2001

**VILLAGE OF LOWER SALEM  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 1,333	\$ 861	\$	\$ 2,194
Intergovernmental Receipts	37,662	88,731		126,393
Earnings on Investments	2,586	211	519	3,316
Miscellaneous	7,366			7,366
<b>Total Cash Receipts</b>	<u>48,947</u>	<u>89,803</u>	<u>519</u>	<u>139,269</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	2,834			2,834
Public Health Services	207			207
Leisure Time Activities	1,490			1,490
Transportation	16,544	148,556		165,100
General Government	32,713	6,457		39,170
<b>Total Cash Disbursements</b>	<u>53,788</u>	<u>155,013</u>	<u>0</u>	<u>208,801</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(4,841)</u>	<u>(65,210)</u>	<u>519</u>	<u>(69,532)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Other Financing Sources	16			16
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>16</u>	<u>0</u>	<u>0</u>	<u>16</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(4,825)</u>	<u>(65,210)</u>	<u>519</u>	<u>(69,516)</u>
<b>Fund Cash Balances, January 1</b>	<u>28,104</u>	<u>72,480</u>	<u>10,963</u>	<u>111,547</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 23,279</u>	<u>\$ 7,270</u>	<u>\$ 11,482</u>	<u>\$ 42,031</u>

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

**VILLAGE OF LOWER SALEM  
WASHINGTON COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 1,366	\$	\$	\$ 1,366
Intergovernmental Receipts	35,129	94,231		129,360
Charges for Services	20			20
Earnings on Investments	2,053		472	2,525
Miscellaneous	2,160	81		2,241
	<u>40,728</u>	<u>94,312</u>	<u>472</u>	<u>135,512</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	2,861			2,861
Public Health Services	176			176
Leisure Time Activities	993	1,407		2,400
Transportation	13,144	26,362		39,506
General Government	15,776	21,342		37,118
	<u>32,950</u>	<u>49,111</u>	<u>0</u>	<u>82,061</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>7,778</u>	<u>45,201</u>	<u>472</u>	<u>53,451</u>
Fund Cash Balances, January 1	<u>20,326</u>	<u>27,279</u>	<u>10,491</u>	<u>58,096</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 28,104</u></b>	<b><u>\$ 72,480</u></b>	<b><u>\$ 10,963</u></b>	<b><u>\$ 111,547</u></b>

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



**VILLAGE OF LOWER SALEM  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Lower Salem, Washington County (the Village), 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 Village is directed by a publicly-elected six-member Council, and an elected Mayor and Clerk. The Village provides general governmental services, including maintenance of Village roads.

The Village's management believes these financial statements present all activities for which the Village 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. Cash and Investments**

Certificates of deposit and savings accounts are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village 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 Village had the following significant Special Revenue Funds:

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle license tax money to construct, maintain and repair Village streets.

**VILLAGE OF LOWER SALEM  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Fund (Continued)**

*Ohio Public Works Commission Fund* - This fund accounts for the transactions related to the repair of Village roads under the State's Issue II program.

*FEMA Fund* - This fund receives money for the transactions related to the repair of Village roads damaged by floods.

**3. Fiduciary Funds**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. Other trust funds are classified as Expendable. The Village had the following significant Fiduciary Fund:

*Park Fund* - This fund was established to account for donations and other revenue of the Village Park, and is classified as an Expendable Trust Fund.

**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 level of control, and appropriations may not exceed estimated resources. The Council 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 Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**VILLAGE OF LOWER SALEM  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(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 Village maintains a cash and investments 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>2000</u>	<u>1999</u>
Demand deposits	\$ 30,356	\$ 8,453
Certificates of deposit	11,482	28,779
Savings accounts	193	74,315
Total deposits	\$ 42,031	\$ 111,547

**Deposits:** Deposits up to \$100,000 are insured by the Federal Deposit Insurance Corporation. Deposits exceeding \$100,000 were unsecured and uncollateralized.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2000 and 1999, follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 40,120	\$ 48,963	\$ 8,843
Special Revenue	409,284	89,803	(319,481)
Expendable Trust	420	519	99
Total	\$ 449,824	\$ 139,285	\$ (310,539)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 68,383	\$ 53,788	\$ 14,595
Special Revenue	481,764	155,013	326,751
Expendable Trust	11,383	0	11,383
Total	\$ 561,530	\$ 208,801	\$ 352,729

**VILLAGE OF LOWER SALEM  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 44,812	\$ 40,728	\$ (4,084)
Special Revenue	163,566	94,312	(69,254)
Expendable Trust	300	472	172
Total	\$ 208,678	\$ 135,512	\$ (73,166)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 65,177	\$ 32,950	\$ 32,227
Special Revenue	190,959	49,111	141,848
Expendable Trust	10,668	0	10,668
Total	\$ 266,804	\$ 82,061	\$ 184,743

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. 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 Village.

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 Village.

**5. OUTSTANDING CONTRACTS**

As of December 31, 2000, the Village had one outstanding contract for the repair of various roads caused by flooding. The contractor and amount outstanding are as follows:

	Amount Outstanding
Gary A. Rubel, Inc.	\$ 266,046

**VILLAGE OF LOWER SALEM  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Village's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The 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 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. For the period July 1, 2000 through December 31, 2000, PERS temporarily reduced the employer's contribution rate to 8.13% of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

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

Village of Lower Salem  
Washington County  
120 Main Street  
P.O. Box 22  
Lower Salem, Ohio 45745

To the Village Council:

We have audited the accompanying financial statements of the Village of Lower Salem, Washington County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 4, 2001. 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 Village'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 are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 4, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village'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 Village in a separate letter dated April 4, 2001.

Village of Lower Salem  
Washington 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 management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

April 4, 2001



**VILLAGE OF LOWER SALEM  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-31084-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for failure to obtain prior certification on expenditures.	No	Partially Corrected:  The issue was not significant for 1999 or 2000. This issue is addressed in the Management Letter.
1998-31084-002	A material noncompliance citation was issued under Ohio Admin. Code Section 117-5-11 for not using purchase orders or posting encumbrances to the appropriation ledger.	Yes	Corrected:  The Village adopted the use of the UAN accounting system in 2000.
1998-31084-003	A material noncompliance citation was issued under Ohio Admin. Code Section 117-5-13 for not using purchase orders.	Yes	Corrected:  The Village adopted the use of the UAN accounting system in 2000.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**VILLAGE OF LOWER SALEM**

**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 24, 2001**