



**SALEM TOWNSHIP  
HIGHLAND COUNTY**

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



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

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**STATE OF OHIO**



**SALEM TOWNSHIP  
HIGHLAND COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

**INDEPENDENT ACCOUNTANTS' REPORT**

Salem Township  
Highland County  
1484 North Hollowtown Road  
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999. 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 Township 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 February 13, 2001 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 our audit.

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

February 13, 2001

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**SALEM TOWNSHIP  
HIGHLAND COUNTY**

**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, 2000**

|   | <u>Governmental Fund Types</u> |                            |                            | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--------------------------------|----------------------------|----------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Fiduciary<br/>Funds</u> |   |
| <b>Cash Receipts:</b>                     |                                |                            |                            |   |
| Local Taxes                               | \$11,287                       | \$1,509                    | \$0                        | \$12,796                                |
| Intergovernmental                         | 15,730                         | 57,665                     | 0                          | 73,395                                  |
| Special Assessments                       | 0                              | 398                        | 0                          | 398                                     |
| Licenses, Permits, and Fees               | 0                              | 2,128                      | 0                          | 2,128                                   |
| Earnings on Investments                   | 246                            | 743                        | 3                          | 992                                     |
| Other Revenue                             | 80                             | 0                          | 0                          | 80                                      |
|   | <u>27,343</u>                  | <u>62,443</u>              | <u>3</u>                   | <u>89,789</u>                           |
| <b>Total Cash Receipts</b>                |                                |                            |                            |   |
| <b>Cash Disbursements:</b>                |                                |                            |                            |   |
| Current:                                  |                                |                            |                            |   |
| General Government                        | 16,967                         | 0                          | 0                          | 16,967                                  |
| Public Safety                             | 0                              | 2,746                      | 0                          | 2,746                                   |
| Public Works                              | 0                              | 43,763                     | 0                          | 43,763                                  |
| Health                                    | 5,206                          | 493                        | 0                          | 5,699                                   |
| Miscellaneous                             | 0                              | 0                          | 2                          | 2                                       |
| Capital Outlay                            | 1,058                          | 14,954                     | 0                          | 16,012                                  |
|   | <u>23,231</u>                  | <u>61,956</u>              | <u>2</u>                   | <u>85,189</u>                           |
| <b>Total Cash Disbursements</b>           |                                |                            |                            |   |
| Total Receipts Over/(Under) Disbursements | <u>4,112</u>                   | <u>487</u>                 | <u>1</u>                   | <u>4,600</u>                            |
| Fund Cash Balances, January 1             | <u>13,792</u>                  | <u>66,540</u>              | <u>116</u>                 | <u>80,448</u>                           |
| <b>Fund Cash Balances, December 31</b>    | <u><b>\$17,904</b></u>         | <u><b>\$67,027</b></u>     | <u><b>\$117</b></u>        | <u><b>\$85,048</b></u>                  |

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

**SALEM TOWNSHIP  
HIGHLAND COUNTY**

**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> |                            |                            | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|--------------------------------|----------------------------|----------------------------|---|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Fiduciary<br/>Funds</u> |   |
| <b>Cash Receipts:</b>                            |                                |                            |                            |   |
| Local Taxes                                      | \$11,041                       | \$6,908                    | \$0                        | \$17,949                                |
| Intergovernmental                                | 14,315                         | 61,365                     | 0                          | 75,680                                  |
| Special Assessments                              | 0                              | 487                        | 0                          | 487                                     |
| Licenses, Permits, and Fees                      | 0                              | 971                        | 0                          | 971                                     |
| Earnings on Investments                          | 338                            | 967                        | 3                          | 1,308                                   |
| Other Revenue                                    | 10,177                         | 30                         | 0                          | 10,207                                  |
|  | <u>35,871</u>                  | <u>70,728</u>              | <u>3</u>                   | <u>106,602</u>                          |
| <b>Total Cash Receipts</b>                       |                                |                            |                            |   |
|  | <u>35,871</u>                  | <u>70,728</u>              | <u>3</u>                   | <u>106,602</u>                          |
| <b>Cash Disbursements:</b>                       |                                |                            |                            |   |
| Current:   |                                |                            |                            |   |
| General Government                               | 26,224                         | 0                          | 0                          | 26,224                                  |
| Public Safety                                    | 0                              | 4,933                      | 0                          | 4,933                                   |
| Public Works                                     | 0                              | 35,306                     | 0                          | 35,306                                  |
| Health   | 5,000                          | 475                        | 0                          | 5,475                                   |
| Miscellaneous                                    | 0                              | 0                          | 2                          | 2                                       |
| Capital Outlay                                   | 10,237                         | 48,133                     | 0                          | 58,370                                  |
|  | <u>41,461</u>                  | <u>88,847</u>              | <u>2</u>                   | <u>130,310</u>                          |
| <b>Total Cash Disbursements</b>                  |                                |                            |                            |   |
|  | <u>41,461</u>                  | <u>88,847</u>              | <u>2</u>                   | <u>130,310</u>                          |
| <b>Total Receipts Over/(Under) Disbursements</b> | <u>(5,590)</u>                 | <u>(18,119)</u>            | <u>1</u>                   | <u>(23,708)</u>                         |
| <b>Fund Cash Balances, January 1</b>             | <u>19,382</u>                  | <u>84,659</u>              | <u>116</u>                 | <u>104,157</u>                          |
| <b>Fund Cash Balances, December 31</b>           | <u><u>\$13,792</u></u>         | <u><u>\$66,540</u></u>     | <u><u>\$117</u></u>        | <u><u>\$80,449</u></u>                  |

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



**SALEM TOWNSHIP  
HIGHLAND COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Salem Township, Highland County, Ohio (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 maintenance and cemetery maintenance. The Township is a member of the Lynchburg Area Joint Fire and Ambulance District, which provides fire and 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**

The Township invests all available funds in a "Public Fund Now" checking account and a savings account with local commercial banks.

**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 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:

Motor Vehicle License Tax Fund - This fund receives motor vehicle tax money for constructing, maintaining and repairing Township roads.

**SALEM TOWNSHIP  
HIGHLAND**

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

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

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

Cemetery Fund - This fund receives the proceeds from the sale of cemetery lots for cemetery improvements.

Permissive Motor Vehicle License Tax Fund - This fund receives the additional license tax from the special tax levy for maintaining and repairing Township roads.

Street Light Fund - This fund receives the proceeds from a special assessment to provide street lights to specific residences paying the assessment.

**3. Fiduciary Funds (Nonexpendable Trust Funds)**

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant non expendable trust fund:

Stroup Cemetery Bequest Fund - This fund is used for the graves upkeep and care.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Unencumbered 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. There were no material encumbrances outstanding at December 31, 2000 and 1999.

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

**SALEM TOWNSHIP  
HIGHLAND**

**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 DEPOSITS**

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 deposits at December 31 was as follows:

|                 | <u>2000</u> | <u>1999</u> |
|-----------------|-------------|-------------|
| Demand deposits | \$84,948    | \$80,349    |
| Savings Account | 100         | 100         |
| Total deposits  | \$85,048    | \$80,449    |

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

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

2000 Budgeted vs. Actual Receipts

|                 |          |          |         |
|-----------------|----------|----------|---------|
| General         | \$22,585 | \$27,343 | \$4,758 |
| Special Revenue | 62,950   | 62,443   | (507)   |
| Total           | \$85,535 | \$89,786 | \$4,251 |

2000 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type       | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance |
|-----------------|----------------------------|---------------------------|----------|
| General         | \$35,979                   | \$23,231                  | \$12,748 |
| Special Revenue | 128,537                    | 61,956                    | 66,581   |
| Total           | \$164,516                  | \$85,187                  | \$79,329 |

1999 Budgeted vs. Actual Receipts

| Fund Type       | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
|-----------------|----------------------|--------------------|----------|
| General         | \$31,147             | \$35,871           | \$4,724  |
| Special Revenue | 64,760               | 70,728             | 5,968    |
| Total           | \$95,907             | \$106,599          | \$10,692 |

**SALEM TOWNSHIP  
HIGHLAND**

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

**3. BUDGETARY ACTIVITY (Continued)**

| 1999 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$40,141                   | \$41,462                  | (\$1,321) |
| Special Revenue                                       | 146,392                    | 88,847                    | 57,545    |
| Total   | \$186,533                  | \$130,309                 | \$56,224  |

The Township did not obtain prior certification of the fiscal officer for all purchases as required by Ohio Law. During 1999, disbursements exceeded appropriations in the General Fund by \$1,321.

**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 payments, 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.

**5. RETIREMENT SYSTEMS**

Township officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide 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 2000 and 1999, 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, 2000.

**SALEM TOWNSHIP  
HIGHLAND**

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

**6. RISK MANAGEMENT**

The Township has obtained insurance from the Ohio Township Association Risk Management Authority for the following risks:

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

**7. RELATED PARTY TRANSACTIONS**

A trustee's wife is employed by the Township as their janitor and mows the Township's lawn. A trustee's cousins are contract laborers of the Township and provide snow plowing, roadside mowing and backhoe work. The Township contracted with a construction company owned by the son of a trustee.

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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

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

Salem Township  
Highland County  
1484 North Hollowtown Road  
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated February 13, 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 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2000-40436-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated February 13, 2001.

**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 February 13, 2001.

Salem Township  
Highland County  
Report 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 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

February 13, 2001



**SALEM TOWNSHIP  
HIGHLAND COUNTY**

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

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

**FINDING NUMBER 2000-40436-001**

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Of the expenditures tested, 57% did not contain either prior certification or then and now certification of the fiscal officer.





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**

**HIGHLAND 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  
MARCH 20, 2001**