



**SALEM TOWNSHIP
JEFFERSON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SALEM TOWNSHIP
JEFFERSON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Salem Township
Jefferson County
5417 State Highway 43
Richmond, Ohio 43944-9702

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Jefferson County, Ohio (the Township) as of and for the years ended December 31, 2000 and December 31, 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 and reserves for encumbrances of Salem Township as of December 31, 2000 and December 31, 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 March 7, 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 the audit committee, management and 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 7, 2001

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**SALEM TOWNSHIP
JEFFERSON 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>		<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Non-Expendable Trust</u>	
Cash Receipts:				
Local Taxes Receipts	\$11,992	\$112,436		\$124,428
Intergovernmental Receipts	39,138	83,135		122,273
Licenses, Permits, and Fees	4,373	5,572		9,945
Interest	5,504	493	65	6,062
Other Revenue	1,823	2,275		4,098
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	62,830	203,911	65	266,806
Cash Disbursements:				
Current:				
General Government	55,477			55,477
Public Safety		53,812		53,812
Public Works	562	97,559		98,121
Health	4,278	1,376		5,654
Capital Outlay		8,317		8,317
Debt Service:				
Redemption of Principal		13,750		13,750
Interest and Fiscal Charges	174	1,330		1,504
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	60,491	176,144		236,635
Total Receipts Over/(Under) Disbursements:	2,339	27,767	65	30,171
Fund Cash Balances, January 1	45,656	132,475	3,263	181,394
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$47,995	\$160,242	\$3,263	\$211,565

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

**SALEM TOWNSHIP
JEFFERSON 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**

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Non-Expendable Trust	
Cash Receipts:				
Local Taxes Receipts	\$11,761	\$110,204		\$121,965
Licenses, Permits and Fees	5,736	4,650		10,386
Intergovernmental Receipts	38,156	94,738		132,894
Interest	3,151		63	3,214
Other Revenue	20	10,382		10,402
	<u>58,824</u>	<u>219,974</u>	<u>63</u>	<u>278,861</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	54,351			54,351
Public Safety	4,278	61,145		65,423
Public Works		113,015		113,015
Health		89		89
Capital Outlay	968	28,286		29,254
Debt Service:				
Redemption of Principal		23,750		23,750
Interest and Fiscal Charges		2,432		2,432
	<u>59,597</u>	<u>228,717</u>		<u>288,314</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(773)</u>	<u>(8,743)</u>	<u>63</u>	<u>(9,453)</u>
Other Financing Sources/(Uses):				
Proceeds from Sale of Public Debt:				
Sale of Notes		20,000		20,000
Sale of Assets		20,755		20,755
Transfers-In		1,200		1,200
Transfers-Out	(1,200)			(1,200)
	<u>(1,200)</u>	<u>41,955</u>		<u>40,755</u>
Total Other Financing Sources/(Uses)				
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(1,973)	33,212	63	31,302
Fund Cash Balances, January 1	<u>47,629</u>	<u>99,263</u>	<u>3,200</u>	<u>150,092</u>
Fund Cash Balances, December 31	<u>\$45,656</u>	<u>\$132,475</u>	<u>\$3,263</u>	<u>\$181,394</u>
Reserve for Encumbrances, December 31		<u>\$1,101</u>		<u>\$1,101</u>

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

**SALEM TOWNSHIP
JEFFERSON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Salem Township, Jefferson 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, and cemetery maintenance. The Township contracts with three volunteer fire departments to provide fire protection.

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. 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:

Road and Bridge Fund - This fund receives tax levy money to pay for constructing, maintaining and repairing Township roads.

Fire Levy Fund - This fund receives tax levy money to pay for fire protection within the Township.

**SALEM TOWNSHIP
JEFFERSON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Township had the following significant fiduciary fund:

Cemetery Bequest Fund - This fund receives money from interest earned on money received to maintain the cemeteries within the Township.

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. 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 carried over, and need not be reappropriated.

A summary of 2000 and 1999 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.

**SALEM TOWNSHIP
JEFFERSON COUNTY**

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

2. EQUITY IN POOLED CASH

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:

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$211,565</u>	<u>\$181,394</u>

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

3. BUDGETARY ACTIVITY

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

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$80,849	\$62,830	(\$18,019)
Special Revenue	192,885	203,911	11,026
Fiduciary	<u>0</u>	<u>65</u>	<u>65</u>
Total	<u>\$273,734</u>	<u>\$266,806</u>	<u>(\$6,928)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$90,869	\$60,491	\$30,378
Special Revenue	291,186	176,144	115,042
Fiduciary	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$382,055</u>	<u>\$236,635</u>	<u>\$145,420</u>

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$76,424	\$58,824	(\$17,600)
Special Revenue	231,538	261,929	30,391
Fiduciary	<u>0</u>	<u>63</u>	<u>63</u>
Total	<u>\$307,962</u>	<u>\$320,816</u>	<u>\$12,854</u>

**SALEM TOWNSHIP
JEFFERSON COUNTY**

**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 Authority	Budgetary Expenditures	Variance
General	\$91,696	\$60,797	\$30,899
Special Revenue	257,827	229,818	28,009
Fiduciary	0	0	0
Total	\$349,523	\$290,615	\$58,908

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. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
General Obligation Note	\$17,374	5.68%

The proceeds of the note was used to purchase land. Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	General Obligation Note
2001	\$8,900
2002	8,900
2003	1,188
Total	\$18,988

**SALEM TOWNSHIP
JEFFERSON COUNTY**

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

6. RETIREMENT SYSTEM

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 2000 and 1999, members of PERS contributed 8.5% of their gross salaries. For 2000, the Township contributed an amount equal to 10.84% of participants' gross salaries and for 1999, the Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Association (OTARMA) and has obtained insurance for the following risks:

- Comprehensive property and general liability
- Vehicle
- Errors and omissions
- Building and contents
- Public officials liability.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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

Salem Township
Jefferson County
5417 State Highway 43
Richmond, Ohio 43944-9702

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Jefferson County (the Township), as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated March 7, 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 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 2000-41241-001. We also noted certain immaterial instances of noncompliance, which we have reported to management of the Township in a separate letter dated March 7, 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 a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 7, 2001.

Salem Township
Jefferson 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 audit committee, 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 7, 2001

**SALEM TOWNSHIP
JEFFERSON COUNTY**

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

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

Finding Number	2000-41241-001
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Ohio Administrative Code § 117-3-03 establishes guidelines for the proper coding and classification of Township receipts.

Salem Township incorrectly posted tax receipts, intergovernmental receipts, sale of assets, and proceeds from the sale of notes during 2000 and 1999. The Township has made adjustments and reclassifications which are reflected in the accompanying financial statements.

The Township Clerk should review the descriptions of receipt codes and classifications as presented in the Ohio Administrative Code and use the information to determine the correct account for each receipt before posting. Posting each receipt to the correct account will provide accurate financial information for the Township.



STATE OF OHIO
OFFICE OF THE AUDITOR

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SALEM TOWNSHIP

JEFFERSON 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**