



OHIO AUDITOR OF STATE
KEITH FABER



**SALEM TOWNSHIP
TUSCARAWAS COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Salem Township
Tuscarawas County
8276 Stonecreek Road
Newcomerstown, Ohio 43832

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Salem Township, Tuscarawas County, Ohio (the Township), as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Salem Township, Tuscarawas County as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Notes 10 and 11 to the financial statements for 2019 and 2018, respectively, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2020, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

June 25, 2020

SALEM TOWNSHIP, TUSCARAWAS COUNTY

Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
 For the Year Ended December 31, 2019

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$40,596	\$46,144	\$86,740
Intergovernmental	38,189	122,898	161,087
Miscellaneous	2,675	105,327	108,002
<i>Total Cash Receipts</i>	<u>81,460</u>	<u>274,369</u>	<u>355,829</u>
Cash Disbursements			
Current:			
General Government	64,635	22,059	86,694
Public Works	0	151,435	151,435
Health	0	11,007	11,007
Capital Outlay	0	5,380	5,380
<i>Total Cash Disbursements</i>	<u>64,635</u>	<u>189,881</u>	<u>254,516</u>
<i>Net Change in Fund Cash Balances</i>	16,825	84,488	101,313
<i>Fund Cash Balances, January 1</i>	<u>\$38,405</u>	<u>\$187,421</u>	<u>\$225,826</u>
Fund Cash Balances, December 31			
Restricted	0	228,284	228,284
Committed	0	43,625	43,625
Assigned	55,230	0	55,230
<i>Fund Cash Balances, December 31</i>	<u>\$55,230</u>	<u>\$271,909</u>	<u>\$327,139</u>

See accompanying notes to the basic financial statements.

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Salem Township
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Salem Township, Tuscarawas County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in three jointly governed organizations and the Ohio Plan Risk Management, Inc., a public entity risk pool. Notes 6 and 9 to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a

Salem Township
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Appropriations lapse at year end.

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

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 2019 budgetary activity appears in Note 3.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Salem Township
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$81,387	\$81,460	\$73
Special Revenue	273,598	274,369	771
Total	\$354,985	\$355,829	\$844

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$111,755	\$64,635	\$47,120
Special Revenue	324,521	189,881	134,640
Total	\$436,276	\$254,516	\$181,760

Note 4 – Deposits

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

Salem Township
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2019

	2019
Demand deposits	<u>\$327,139</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 6 – Risk Management

Liability Insurance

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Salem Township
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

(Note: At the time of compilation of the note disclosures, the most recent information available was as of December 31, 2018.)

Health Insurance

The Township participates in the Tuscarawas County Healthcare Consortium (the "Consortium"), which is a legally separate entity organized under Ohio Revised Code Chapter 167. The Consortium was established on January 1, 2017, formed by certain political subdivisions located within Tuscarawas County, for the purpose of obtaining medical and hospitalization benefits. The Consortium acts as a governmental risk pool for health insurance (including prescription and vision) coverage for its 29 member subdivisions. The Consortium has a Board of Directors consisting of five members. The Fiscal Agent is responsible for administering the financial transactions of the Consortium. For 2018, Tuscarawas County served as Fiscal Agent for the Consortium. Member contributions are used to provide medical, hospitalization, prescription drug and vision insurance benefits as provided for in the Member's Plan Document and as established by law. The Board of Directors determines, at their discretion, the insurance benefits to be provided by or through the Consortium. Insurance limits, types of claims covered, eligibility for benefits and any deductibles shall be approved by the governing board of each member and shall be described in the Member's Plan Document. The risk of loss for loss transfers from the member subdivisions to the Consortium upon payment of the monthly premium.

The Consortium's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2018.

Assets	\$1,476,422
Liabilities	<u>(1,749,147)</u>
Net Position	<u>\$ (272,725)</u>

(Note: At the time of compilation of the note disclosures, the most recent information available was as of December 31, 2018.)

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Salem Township
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 9 – Jointly Governed Organizations

Delaware Valley Joint Fire District (the District)

The District provides fire protection services for the Township. A five-member Board of Trustees governs the District. Each political subdivision within the District appoints two members. The fifth member is appointed by one individual subdivision within the District on a two year rotational basis. Those subdivisions are Salem Township and the Village of Port Washington. The Township is not financially accountable for the District nor is the District financially dependent on the Township. The District serves as its own taxing and debt issuance authority. During 2019, no monies were paid to the District from the Township.

Tri-County Ambulance District (the Ambulance District)

The Ambulance District provides emergency medical services for the Township. The Ambulance District is directed by an appointed six-member Board of Directors. One board member is appointed by each political subdivision within the Ambulance District. Those subdivisions are Oxford, Salem, Perry, and Washington Townships; and the Villages of Port Washington and Newcomerstown. The Ambulance District provides emergency medical services to citizens within those areas. During 2019, no monies were paid to the Ambulance District from the Township.

Salem Township Union Cemetery (the Cemetery)

The Cemetery was established to operate and maintain certain cemeteries. The Village of Port Washington and Salem Township established a three-member Board of Trustees to operate the Cemetery as allowed under Ohio Revised Code Section 759.36. The Cemetery serves as its own taxing and debt issuance authority. During 2019, the Township paid \$6,146 in total to the Cemetery.

Note 10 – Subsequent Events

During 2020, the Township applied for and received a USDA grant in the amount of \$58,000 and a USDA Township Equipment Bond in the amount of \$108,000 for the purchased of a tractor, two mowers with attachments, and a roller. The Township is in the process of purchasing the equipment.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

SALEM TOWNSHIP, TUSCARAWAS COUNTY

Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2018

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$38,506	\$45,040	\$0	\$0	\$83,546
Licenses, Permits and Fees	0	650	0	0	650
Intergovernmental	37,157	108,675	0	0	145,832
Miscellaneous	1,871	11,173	9,775	3,400	26,219
<i>Total Cash Receipts</i>	<u>77,534</u>	<u>165,538</u>	<u>9,775</u>	<u>3,400</u>	<u>256,247</u>
Cash Disbursements					
Current:					
General Government	83,112	13,202	0	0	96,314
Public Works	0	109,643	0	0	109,643
Health	0	8,988	0	0	8,988
Capital Outlay	0	0	0	81,175	81,175
Debt Service:					
Principal Retirement	0	0	49,775	0	49,775
Interest and Fiscal Charges	0	0	0	4,225	4,225
<i>Total Cash Disbursements</i>	<u>83,112</u>	<u>131,833</u>	<u>49,775</u>	<u>85,400</u>	<u>350,120</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,578)</u>	<u>33,705</u>	<u>(40,000)</u>	<u>(82,000)</u>	<u>(93,873)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	0	251	0	0	251
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>251</u>	<u>0</u>	<u>0</u>	<u>251</u>
<i>Net Change in Fund Cash Balances</i>	<u>(5,578)</u>	<u>33,956</u>	<u>(40,000)</u>	<u>(82,000)</u>	<u>(93,622)</u>
<i>Fund Cash Balances, January 1</i>	<u>\$43,983</u>	<u>\$153,465</u>	<u>\$40,000</u>	<u>\$82,000</u>	<u>\$319,448</u>
Fund Cash Balances, December 31					
Restricted	0	148,008	0	0	148,008
Committed	0	39,413	0	0	39,413
Assigned	30,368	0	0	0	30,368
Unassigned (Deficit)	8,037	0	0	0	8,037
<i>Fund Cash Balances, December 31</i>	<u>\$38,405</u>	<u>\$187,421</u>	<u>\$0</u>	<u>\$0</u>	<u>\$225,826</u>

See accompanying notes to the basic financial statements.

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Salem Township
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Salem Township, Tuscarawas County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in three jointly governed organizations and the Ohio Plan Risk Management, Inc., a public entity risk pool. Notes 7 and 10 to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Debt Service Fund This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Salem Township
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Miscellaneous Bond Retirement Fund The Miscellaneous bond retirement fund accounted for and reports resources restricted for the retirement of debt issued to finance debt related to the purchase of a dump truck.

Capital Project Fund This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Miscellaneous Capital Projects Fund The Miscellaneous Capital Projects fund accounted for and reports revenues received from donations, grants, and loans for the purchase of equipment. The proceeds are restricted for capital improvement.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Appropriations lapse at year end.

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

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 2018 budgetary activity appears in Note 4.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Salem Township
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Compliance

Contrary to Ohio Revised Code §5705.40, appropriation amendments were posted to the Township's accounting system that were not approved by the Board in the Debt Service Fund by \$13,175.

Contrary to Ohio Revised Code §5705.41(B), expenditures exceeded appropriations by \$9,775 in the Debt Service Fund and by \$3,400 in the Capital Projects Fund.

Salem Township
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,534	\$77,534	\$0
Special Revenue	165,788	165,789	1
Debt Service	0	9,775	9,775
Capital Projects	0	3,400	3,400
Total	\$243,322	\$256,498	\$13,176

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$117,918	\$83,112	\$34,806
Special Revenue	276,166	131,833	144,333
Debt Service	40,000	49,775	(9,775)
Capital Projects	82,000	85,400	(3,400)
Total	\$516,084	\$350,120	\$165,964

Note 5 – Deposits

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

	2018
Demand deposits	\$225,826

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Salem Township
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

Note 7 – Risk Management

Liability Insurance

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Health Insurance

The Township participates in the Tuscarawas County Healthcare Consortium (the "Consortium"), which is a legally separate entity organized under Ohio Revised Code Chapter 167. The Consortium was established on January 1, 2017, formed by certain political subdivisions located within Tuscarawas County, for the purpose of obtaining medical and hospitalization benefits. The Consortium acts as a governmental risk pool for health insurance (including prescription and vision) coverage for its 29 member subdivisions. The Consortium has a Board of Directors consisting of five members. The Fiscal Agent is responsible for administering the financial transactions of the Consortium. For 2018, Tuscarawas County served as Fiscal Agent for the Consortium. Member contributions are used to provide medical, hospitalization, prescription

Salem Township
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2018

drug and vision insurance benefits as provided for in the Member's Plan Document and as established by law. The Board of Directors determines, at their discretion, the insurance benefits to be provided by or through the Consortium. Insurance limits, types of claims covered, eligibility for benefits and any deductibles shall be approved by the governing board of each member and shall be described in the Member's Plan Document. The risk of loss for loss transfers from the member subdivisions to the Consortium upon payment of the monthly premium.

The Consortium's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2018.

Assets	\$1,476,422
Liabilities	<u>(1,749,147)</u>
Net Position	<u>\$ (272,725)</u>

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 10 – Jointly Governed Organizations

Delaware Valley Joint Fire District (the District)

The District provides fire protection services for the Township. A five-member Board of Trustees governs the District. Each political subdivision within the District appoints two members. The fifth member is appointed by one individual subdivision within the District on a two year rotational basis. Those subdivisions are Salem Township and the Village of Port Washington. The Township is not financially accountable for the District nor is the District financially dependent on the Township. The District serves as its own taxing and debt issuance authority. During 2018, no monies were paid to the District from the Township.

Salem Township
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Tri-County Ambulance District (the Ambulance District)

The Ambulance District provides emergency medical services for the Township. The Ambulance District is directed by an appointed six-member Board of Directors. One board member is appointed by each political subdivision within the Ambulance District. Those subdivisions are Oxford, Salem, Perry, and Washington Townships; and the Villages of Port Washington and Newcomerstown. The Ambulance District provides emergency medical services to citizens within those areas. During 2018, no monies were paid to the Ambulance District from the Township.

Salem Township Union Cemetery (the Cemetery)

The Cemetery was established to operate and maintain certain cemeteries. The Village of Port Washington and Salem Township established a three-member Board of Trustees to operate the Cemetery as allowed under Ohio Revised Code Section 759.36. The Cemetery serves as its own taxing and debt issuance authority. During 2018, the Township paid \$4,850 in total to the Cemetery.

Note 11 – Subsequent Events

During 2020, the Township applied for and received a USDA grant in the amount of \$58,000 and a USDA Township Equipment Bond in the amount of \$108,000 for the purchased of a tractor, two mowers with attachments, and a roller. The Township is in the process of purchasing the equipment.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE KEITH FABER



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SoutheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Salem Township
Tuscarawas County
8276 Stonecreek Road
Newcomerstown, Ohio 43832

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Salem Township, Tuscarawas County, Ohio (the Township), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated June 25, 2020 wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D) permit, and we also noted the potential impact of COVID-19 and the ensuing emergency measures that will impact subsequent periods.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2019-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2019-002 and 2019-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

June 25, 2020

**SALEM TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

As a result of audit procedures performed, errors were noted in the Township's financial statements that required audit adjustments and reclassifications as follows:

- The Township misclassified amounts received for property tax reimbursements as Property and Other Local Tax Revenue rather than Intergovernmental Revenue in the General Fund during 2019 and 2018 in the amounts of \$5,992 and \$5,948, respectively;
- During 2018, the Township reported \$3,400 in revenue and expense related to the construction of a well in the Debt Service Fund. However, as there was no debt associated with the project, the amounts should have been reported in the Capital Projects fund;
- Payments related to the purchase of a dump truck in the amount of \$77,775 was classified as Interest and Fiscal Charges expense in the Capital Projects Fund during 2018 instead of Capital Outlay. Additionally, payments in the amount of \$49,775 made to satisfy the debt obligation related to the purchase of the dump truck were classified as Interest and Fiscal Charges expense in the Debt Service Fund rather than Principal Retirement; and
- Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. The following inaccurate reporting of fund balance was noted prior to the effect of any audit adjustments:
 - The General Fund's year end cash balance was utilized to cover the deficiency of subsequent year appropriations exceeding estimated revenue at the end of 2019 and 2018 in the amounts of \$55,230 and \$30,368, respectively. However, these amounts were reported as Unassigned rather than Assigned.

We also identified related errors and omissions in the footnotes that have been adjusted. The adjustments and reclassifications above were agreed to by management, and the financial statements and notes have been adjusted accordingly.

In addition, other misstatements related to mispostings of revenues and expenditures, ranging from \$224 to \$3,887 were identified during 2019 and 2018. These instances have been brought to the Township's attention.

Sound financial reporting is the responsibility of the Township and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions. In addition, the Township should review the financial statements and notes prior to submission for audit.

**SALEM TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-002

Noncompliance

Ohio Rev. Code § 5705.40 allows any appropriation ordinance or measure to 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 and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

The Township Board of Trustees should approve appropriations at the object level, the legal level of control. As such, any appropriation increase or decrease at the object level requires approval by the Board of Trustees.

In 2018, appropriations posted to the Township's accounting system exceeded the legislatively approved amount by \$13,175 (32.9%) for the Township's Debt Service Fund.

As such, changes to appropriations were modified without legal approval. This practice could result in overspending or in unallowable expenditures being made should expenditures be made by the Township personnel from unapproved appropriations.

The Township should not make adjustments to total fund appropriations prior to Board of Trustee approval. This should only be done if total appropriations are less than estimated resources. This will help ensure the Township's accounting system only reflects Board approved appropriations. This will also provide additional control procedures to help ensure expenditures are not made from unapproved appropriations.

FINDING NUMBER 2019-003

Noncompliance

Ohio Rev. Code § 5705.41(B) states, in part, that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

During 2018, total disbursements and outstanding commitments exceeded appropriations in the Debt Service and Capital Projects Funds by \$9,775 (24%) and \$3,400 (4%), respectively. As a result, there was an increased risk of the Township incurring deficit cash balances.

The Township should approve supplemental appropriations so that disbursements are within the Township's approved appropriations (budgeted disbursements). However, the Township should only approve supplemental appropriations when supplemental appropriations and previously approved appropriations are within estimated resources on the Amended Certificate of Estimated Resources (or if a new Amended Certificate can be submitted due to an increased expected revenue). When disbursements are expected to exceed appropriations and additional appropriations cannot be approved as the new total would exceed estimated resources, the Township should review their spending plan to determine the necessity of purchases and where cuts can be made. This will help ensure the Township does not expend excessive amounts and allow the Township to maintain surplus cash balances.

Officials' Response: We did not receive a response from Officials to the Findings reported above.

OHIO AUDITOR OF STATE
KEITH FABER



SALEM TOWNSHIP

TUSCARAWAS 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
JULY 14, 2020**