



**SALEM TOWNSHIP
WARREN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SALEM TOWNSHIP
WARREN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Salem Township
Warren County
P. O. Box 171
Morrow, OH 45152

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Warren 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 audits.

We conducted our audits 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 audits 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 audits provide 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 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 May 31, 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 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

May 31, 2001

SALEM TOWNSHIP
WARREN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND NON-EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Non-Expendable Trust	
Cash Receipts:						
Local Taxes	\$54,330	\$223,108	\$0	\$0	\$0	\$277,438
Licenses, Permits, and Fees	0	15,655	0	0	0	15,655
Intergovernmental	67,240	107,088	0	0	0	174,328
Special Assessments	0	2,137	0	0	0	2,137
Interest	36,461	10,393	0	2,269	0	49,123
All Other Revenue	12,168	34,205	0	0	0	46,373
Gifts	0	0	0	0	1,466	1,466
Total Cash Receipts	170,199	392,586	0	2,269	1,466	566,520
Cash Disbursements:						
Current:						
General Government	100,480	109,416	0	0	0	209,896
Public Safety	453	37,314	0	0	0	37,767
Public Works	2,523	129,574	0	0	0	132,097
Health	14,705	26,600	0	0	0	41,305
Miscellaneous	0	2,844	0	0	1,450	4,294
Capital Outlay	5,643	151,400	0	119,579	0	276,622
Debt Service:						
Note Principal Payment	0	22,942	0	0	0	22,942
Interest and Fiscal Charges	0	7,773	0	0	0	7,773
Total Cash Disbursements	123,804	487,863	0	119,579	1,450	732,696
Total Receipts Over/(Under) Disbursements	46,395	(95,277)	0	(117,310)	16	(166,176)
Other Financing Receipts/(Disbursements):						
Other Financing Sources	253	10,050	0	0	0	10,303
Total Other Financing Receipts/(Disbursements)	253	10,050	0	0	0	10,303
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	46,648	(85,227)	0	(117,310)	16	(155,873)
Fund Cash Balances, January 1	188,859	594,347	4,287	117,310	44,645	949,448
Fund Cash Balances, December 31	\$235,507	\$509,120	\$4,287	\$0	\$44,661	\$793,575
Reserve for Encumbrances, December 31	\$11,895	\$9,077	\$0	\$0	\$0	\$20,972

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

SALEM TOWNSHIP
WARREN COUNTY

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

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Non-Expendable Trust	
Cash Receipts:						
Local Taxes	\$53,548	\$217,673	\$0	\$0	\$0	\$271,221
Licenses, Permits, and Fees	0	17,915	0	0	0	17,915
Intergovernmental	52,448	109,574	0	0	0	162,022
Interest	27,050	6,243	4,089	4,104	0	41,486
All Other Revenue	3,134	56,660	0	0	0	59,794
Gifts	0	0	0	113,206	1,831	115,037
Total Cash Receipts	136,180	408,065	4,089	117,310	1,831	667,475
Cash Disbursements:						
Current:						
General Government	89,639	81,069	0	0	0	170,708
Public Safety	453	27,863	0	0	0	28,316
Public Works	3,182	60,017	0	0	0	63,199
Health	17,881	24,811	0	0	0	42,692
Miscellaneous	0	3,005	0	0	1,428	4,433
Capital Outlay	19,613	236,301	0	0	0	255,914
Debt Service:						
Note Principal Payment	0	22,942	0	0	0	22,942
Interest and Fiscal Charges	0	8,883	0	0	0	8,883
Total Cash Disbursements	130,768	464,891	0	0	1,428	597,087
Total Receipts Over/(Under) Disbursements	5,412	(56,826)	4,089	117,310	403	70,388
Other Financing Receipts/(Disbursements):						
Other Financing Sources	748	8,850	0	0	0	9,598
Total Other Financing Receipts/(Disbursements)	748	8,850	0	0	0	9,598
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	6,160	(47,976)	4,089	117,310	403	79,986
Fund Cash Balances, January 1	182,699	642,323	198	0	44,242	869,462
Fund Cash Balances, December 31	\$188,859	\$594,347	\$4,287	\$117,310	\$44,645	\$949,448
Reserve for Encumbrances, December 31	\$830	\$770	\$0	\$0	\$0	\$1,600

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

**SALEM TOWNSHIP
WARREN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Salem Township, Warren County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Morrow to provide emergency medical services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. 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

Certificates of deposit, and municipal bonds are valued at cost. The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

**SALEM TOWNSHIP
WARREN COUNTY**

**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.

Fire Department Levy - This fund receives proceeds from the property tax fire levy for providing fire protection to Township Residents.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness.

4. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects.

5. Fiduciary Funds (Trust Fund)

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

Cemetery Bequest - Nonexpendable trust fund used for the benefit of the Township cemetery.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, 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.

**SALEM TOWNSHIP
WARREN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$29,086	\$82,325
Certificates of deposit	33,500	33,500
Total deposits	<u>62,586</u>	<u>115,825</u>
Municipal Bond	10,000	10,000
STAROhio	720,989	823,623
Total investments	<u>730,989</u>	<u>833,623</u>
Total deposits and investments	<u>\$793,575</u>	<u>\$949,448</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

Investments: Municipal bonds are evidenced by securities held in physical form by the Township. Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

**SALEM TOWNSHIP
WARREN COUNTY**

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

3. BUDGETARY ACTIVITY

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

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$169,241	\$170,452	\$1,211
Special Revenue	404,141	402,636	(1,505)
Debt Service	0	0	0
Capital Projects	2,269	2,269	0
Fiduciary	1,466	1,466	0
Total	\$577,117	\$576,823	(\$294)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$357,994	\$135,699	\$222,295
Special Revenue	995,962	496,940	499,022
Debt Service	4,288	0	4,288
Capital Projects	119,579	119,579	0
Fiduciary	2,612	1,450	1,162
Total	\$1,480,435	\$753,668	\$726,767

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$136,928	\$136,928	\$0
Special Revenue	416,914	416,915	1
Debt Service	4,089	4,089	0
Capital Projects	117,310	117,310	0
Fiduciary	1,831	1,831	0
Total	\$677,072	\$677,073	\$1

**SALEM TOWNSHIP
WARREN 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	\$319,627	\$131,598	\$188,029
Special Revenue	1,059,236	465,661	593,575
Debt Service	4,287	0	4,287
Capital Projects	4,104	0	4,104
Fiduciary	2,574	1,428	1,146
Total	\$1,389,828	\$598,687	\$791,141

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
Fire Equipment Acquisition Notes	\$137,652	4.84%

Fire Equipment Acquisition Notes totaling \$183,536 were issued in 1998 to finance the purchase of a new fire truck. The notes are collateralized solely by the Township's taxing authority.

Amortization of the above debt, including interest, is scheduled as follows:

**SALEM TOWNSHIP
WARREN COUNTY**

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

5. Debt (Continued)

Year ending December 31:	Fire Truck Acquisition Notes
2001	\$29,604
2002	28,494
2003	27,384
2004	26,273
2005	25,163
Subsequent	<u>24,052</u>
Total	<u><u>\$160,970</u></u>

6. RETIREMENT SYSTEMS

The Township's officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including 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, members of PERS contributed 8.5% of their gross salaries to PERS (7% paid by the employees and 1.5% picked up by the Township). The Township contributed an amount equal to 13.55% in 1999 and 10.84% in 2000 of participant's gross salaries. The Township has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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



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

Salem Township
Warren County
P. O. Box 171
Morrow, OH 45152

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 31, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the Township in a separate letter dated May 31, 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 May 31, 2001.

Salem Township
Warren 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

May 31, 2001



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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SALEM TOWNSHIP

WARREN 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
JUNE 19, 2001**