



**SALEM TOWNSHIP
OTTAWA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**SALEM TOWNSHIP
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1998	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13

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REPORT OF INDEPENDENT ACCOUNTANTS

Salem Township
Ottawa County
11650 West Portage River South Road
Oak Harbor, Ohio 43449-9698

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Ottawa County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. 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, 1999 and 1998, 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 26, 2000 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.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

May 26, 2000

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$46,822	\$179,007	\$225,829
Intergovernmental	63,013	95,742	158,755
Licenses, Permits, and Fees	3,360	30,897	34,257
Fines, Forfeitures, and Penalties	1,500		1,500
Earnings on Investments	10,083	2,463	12,546
Other Revenue	6,518	15,500	22,018
	<u>131,296</u>	<u>323,609</u>	<u>454,905</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	54,209		54,209
Public Works	99,945	251,444	351,389
Health	8,610	105,301	113,911
Capital Outlay	1,244	11,670	12,914
	<u>164,008</u>	<u>368,415</u>	<u>532,423</u>
Total Cash Disbursements			
Total Disbursements Over Receipts	<u>(32,712)</u>	<u>(44,806)</u>	<u>(77,518)</u>
Other Financing Disbursements:			
Other Uses	<u>(1,700)</u>		<u>(1,700)</u>
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts	(34,412)	(44,806)	(79,218)
Fund Cash Balances, January 1	<u>256,200</u>	<u>200,772</u>	<u>456,972</u>
Fund Cash Balances, December 31	<u>\$221,788</u>	<u>\$155,966</u>	<u>\$377,754</u>
Reserve for Encumbrances, December 31	<u>\$1,500</u>	<u>\$32,000</u>	<u>\$33,500</u>

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

**SALEM TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$45,474	\$175,623	\$221,097
Intergovernmental	69,671	89,203	158,874
Licenses, Permits, and Fees	10,392	22,360	32,752
Earnings on Investments	10,531	3,088	13,619
Other Revenue	6,673	22,675	29,348
	<u>142,741</u>	<u>312,949</u>	<u>455,690</u>
Total Cash Receipts			
	<u>142,741</u>	<u>312,949</u>	<u>455,690</u>
Cash Disbursements:			
Current:			
General Government	57,327		57,327
Public Works	12,439	201,501	213,940
Health	7,871	71,760	79,631
Capital Outlay	6,995	66,900	73,895
	<u>84,632</u>	<u>340,161</u>	<u>424,793</u>
Total Cash Disbursements			
	<u>84,632</u>	<u>340,161</u>	<u>424,793</u>
Total Receipts Over/(Under) Disbursements	<u>58,109</u>	<u>(27,212)</u>	<u>30,897</u>
Other Financing Receipts/(Disbursements):			
Other Sources	17		17
Other Uses	(3,000)		(3,000)
	<u>(2,983)</u>		<u>(2,983)</u>
Total Other Financing Receipts/(Disbursements)			
	<u>(2,983)</u>		<u>(2,983)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>55,126</u>	<u>(27,212)</u>	<u>27,914</u>
Fund Cash Balances, January 1	<u>201,074</u>	<u>227,984</u>	<u>429,058</u>
Fund Cash Balances, December 31	<u>\$256,200</u>	<u>\$200,772</u>	<u>\$456,972</u>
Reserve for Encumbrances, December 31	<u>\$25,561</u>	<u>\$12,150</u>	<u>\$37,711</u>

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

**SALEM TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Salem Township, Ottawa 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'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

Certificates of deposit are valued at cost.

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.

SALEM TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

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.

Cemetery Fund - This fund receives real estate, tangible personal property, and rollback and homestead tax monies for maintenance of Township cemeteries.

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.

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 1999 and 1998 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.

**SALEM TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

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>1999</u>	<u>1998</u>
Demand deposits	\$374,754	\$453,972
Certificates of deposit	3,000	3,000
Total deposits	\$377,754	\$456,972

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, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$103,039	\$131,296	\$28,257
Special Revenue	278,004	323,609	45,605
Total	\$381,043	\$454,905	\$73,862

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$356,239	\$167,208	\$189,031
Special Revenue	478,772	400,415	78,357
Total	\$835,011	\$567,623	\$267,388

**SALEM TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$85,000	\$142,758	\$57,758
Special Revenue	250,000	312,949	62,949
Total	<u>\$335,000</u>	<u>\$455,707</u>	<u>\$120,707</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$286,074	\$113,193	\$172,881
Special Revenue	477,984	352,311	125,673
Total	<u>\$764,058</u>	<u>\$465,504</u>	<u>\$298,554</u>

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. RETIREMENT SYSTEMS

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 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**SALEM TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Commercial property and general liability
- Vehicles
- Official's liability
- Inland marine
- Commercial Umbrella Coverage

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

Salem Township
Ottawa County
11650 West Portage River South Road
Oak Harbor, Ohio 43449-9698

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Ottawa County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 26, 2000. 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.

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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-40162-001 and 1999-40162-002. We also noted a certain immaterial instance of noncompliance that we have reported to the management of Salem Township in a separate letter dated May 26, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 26, 2000.

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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

May 26, 2000

**SALEM TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-40162-001

Finding for Recovery Repaid under Audit

Aaron Avery, employee of Salem Township, Ottawa County, worked 80 hours for the pay period June 28, 1998 through July 11, 1998. Based on the minutes of December 15, 1997, his rate of pay was \$7.00 per hour. His gross pay was \$560 and after deductions of \$135.04, his net pay due was \$424.96. However, he was compensated \$600 for the pay period on check number 9792, dated July 20, 1998. This resulted in an overpayment of \$175.04.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery is hereby issued against Wendy Wilburn, Salem Township Clerk, and Aaron Avery, and Personal Service Insurance Company, the bonding company, jointly and severally, and in favor of Salem Township, in the amount of one hundred seventy-five dollars and four cents.

This finding was repaid during the audit as evidenced by receipt number 44-00 dated May, 22, 2000.

FINDING NUMBER 1999-40162-002

Finding for Recovery Repaid under Audit

Myron Dehring, employee of Salem Township, Ottawa County, worked 72 hours for the pay period June 28, 1998 through July 11, 1998. Based on the minutes of December 15, 1997, his rate of pay was \$8.50 per hour. His gross pay was \$612 and after deductions of \$129.76, his net pay due was \$482.24. However, he was compensated \$620 for the pay period on check number 9789, dated July 20, 1998. This resulted in an overpayment of \$137.76.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery is hereby issued against Wendy Wilburn, Salem Township Clerk, and Myron Dehring, and Personal Service Insurance Company, the bonding company, jointly and severally, and in favor of Salem Township, in the amount of one hundred thirty-seven dollars and seventy-six cents.

This finding was repaid during the audit by a payroll deduction from Myron Dehring's check number 10609 dated May 22, 2000.



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OFFICE OF THE AUDITOR

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SALEM TOWNSHIP

OTTAWA 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 20, 2000