



**SOMERS TOWNSHIP
PREBLE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOMERS TOWNSHIP
PREBLE COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Somers Township
Preble County
392 West Hendricks Street
Camden, OH 45311

To the Board of Trustees:

We have audited the accompanying financial statements of Somers Township, Preble County, Ohio, (the Township), as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances 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 June 25, 2001 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, 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

June 25, 2001

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**SOMERS TOWNSHIP
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$15,600	\$127,797		\$143,397
Intergovernmental	39,707	76,131		115,838
Licenses, Permits, and Fees		10,075		10,075
Earnings on Investments	3,902	1,839	\$93	5,834
Other Revenue		14,028		14,028
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	59,209	229,870	93	289,172
Cash Disbursements:				
Current:				
General Government	35,228		115	35,343
Public Works		76,173		76,173
Health		48,218		48,218
Capital Outlay	249	79,553		79,802
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	35,477	203,944	115	239,536
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	23,732	25,926	(22)	49,636
Other Financing Receipts/(Disbursements):				
Other Sources	3,581			3,581
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	3,581	0	0	3,581
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	27,313	25,926	(22)	53,217
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	55,730	197,927	3,779	257,436
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$83,043	\$223,853	\$3,757	\$310,653

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

**SOMERS TOWNSHIP
PREBLE COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$13,502	\$126,924		\$140,426
Intergovernmental	22,745	75,109		97,854
Licenses, Permits, and Fees		11,288		11,288
Earnings on Investments	3,870	2,049	\$93	6,012
Other Revenue		11,500		11,500
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	40,117	226,870	93	267,080
Cash Disbursements:				
Current:				
General Government	35,906		100	36,006
Public Works		74,768		74,768
Health	1,000	42,319		43,319
Human Services		34		34
Capital Outlay		120,939		120,939
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	36,906	238,060	100	275,066
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	3,211	(11,190)	(7)	(7,986)
Fund Cash Balances, January 1 (restated)-Note 7	<hr/>	<hr/>	<hr/>	<hr/>
	52,519	209,117	3,786	265,422
Fund Cash Balances, December 31	<u>\$55,730</u>	<u>\$197,927</u>	<u>\$3,779</u>	<u>\$257,436</u>
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$0	\$5,865	\$25	\$5,890

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

**SOMERS TOWNSHIP
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

Certificates of deposit at cost.

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.

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

**SOMERS TOWNSHIP
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cemetery Fund - This fund receives property tax for maintaining the Township cemetery.

Special Levy Road Fund - This fund receives special levy tax money for constructing, maintaining, and repairing Township roads.

3. Fiduciary Funds (Nonexpendable Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. The Township had four Cemetery Bequest Funds.

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 object level of control, and appropriations may not exceed estimated resources. The Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapsed at December 31, 1999. Appropriations lapsed at December 31, 2000.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash available 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 December 31, 1999 were carried over, and did not need to be reappropriated. Encumbrances outstanding at December 31, 2000 were canceled and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law. However, all material encumbrances outstanding at December 31, 1999 are disclosed on the financial statements.

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.

**SOMERS TOWNSHIP
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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>2000</u>	<u>1999</u>
Demand Deposits	\$308,776	\$255,559
Certificates of Deposit	<u>1,877</u>	<u>1,877</u>
Total deposits	<u>310,653</u>	<u>257,436</u>

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

3. BUDGETARY ACTIVITY

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

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$85,973	\$62,790	(\$23,183)
Special Revenue	248,061	229,870	(18,191)
Fiduciary	<u>141</u>	<u>93</u>	<u>(48)</u>
Total	<u>\$334,175</u>	<u>\$292,753</u>	<u>(\$41,422)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$118,000	\$35,477	\$82,523
Special Revenue	443,000	203,944	239,056
Fiduciary	<u>120</u>	<u>115</u>	<u>5</u>
Total	<u>\$561,120</u>	<u>\$239,536</u>	<u>\$321,584</u>

**SOMERS TOWNSHIP
PREBLE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,782	\$40,117	(\$16,665)
Special Revenue	234,477	226,870	(7,607)
Fiduciary	141	93	(48)
Total	<u>\$291,400</u>	<u>\$267,080</u>	<u>(\$24,320)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$100,700	\$36,906	\$63,794
Special Revenue	441,000	243,925	197,075
Fiduciary	125	125	0
Total	<u>\$541,825</u>	<u>\$280,956</u>	<u>\$260,869</u>

The variances in the Budgeted vs. Actual Receipts were due to the Township not properly recording budgeted receipts in the Township's ledgers.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**SOMERS TOWNSHIP
PREBLE COUNTY**

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

5. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries during 1999 and 10.84% during 2000. The Township has paid all contributions required through December 31, 2000.

6. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA). OTARMA assumes the risk of loss up to the limits of the Township's policy. OTARMA may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

7. RESTATEMENT OF FUND BALANCES

A restatement of cash for the General and Special Revenue Funds was due to an adjustment made by the Township during the last audit period that never made it to the financial statements. A restatement of cash for the Fiduciary Funds was due to the Township posting interest received from a certificate of deposit twice. The effect of these changes on the January 1, 1999 fund balances is as follows:

	General	Special Revenue	Fiduciary	Total
Fund Balance at December 31, 1998 as previously reported	\$52,449	\$209,187	\$ 3,814	\$265,450
Restatement	70	(70)	(28)	(28)
Restated Fund Balance at January 1, 1999	\$52,519	\$209,117	\$ 3,786	\$265,422

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

Somers Township
Preble County
392 West Hendricks Street
Camden, OH 45311

To the Board of Trustees:

We have audited the financial statements of Somers Township, Preble County, Ohio (the Township) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 25, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2000-40368-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 25, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2000-40368-001 and 2000-40368-002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

Somers Township
Preble County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

We also 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 June 25, 2001.

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

June 25, 2001

**SOMERS TOWNSHIP
PREBLE COUNTY**

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

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

FINDING NUMBER 2000-40368-001

Material Noncompliance/Reportable Condition

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

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

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

The Township did not properly certify the availability of funds for purchase commitments for 20% of expenditures tested. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. We recommend the Township obtain approved purchase orders, which contain the Clerk's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. We also recommend that if prior certification is not feasible and if the Clerk can certify that, both at the time that a contract or order was made and at the time that he is completing the certificate, sufficient funds were available or in the process of collection, the Township use Then and Now certificates to assure that all purchases are properly encumbered.

FINDING NUMBER 2000-40368-002

Reportable Condition

The amounts listed on the Certificates of Estimated Resources and Appropriation Resolution were not properly reflected in the receipt and expenditure ledgers. Lack of monitoring controls over estimated resources and appropriations could result in negative fund balances for the Township. These negative fund balances could eventually create a going concern issue for the Township.

FINDING NUMBER 2000-40368-002
(Continued)

We recommend that the Clerk use the amounts listed on the Certificate of Estimated Resources and the Appropriation Resolution to input to the system. This would help the Clerk to monitor receipts and expenditures more carefully and to assure that expenditures do not exceed receipts.



STATE OF OHIO
OFFICE OF THE AUDITOR

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SOMERS TOWNSHIP

PREBLE 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 24, 2001**