



**Auditor of State
Betty Montgomery**

**SOMERFORD TOWNSHIP
MADISON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Somerford Township
Madison County
P.O. Box 861
London, Ohio 43140

To the Board of Trustees:

We have audited the accompanying financial statements of Somerford Township, Madison County, Ohio, (the Township) as of and for the years ended December 31, 2002, and December 31, 2001. 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 auditing standards generally accepted in the United States of America 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 of the Township as of December 31, 2002, and December 31, 2001, 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 April 30, 2003, 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.

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Somerford Township
Madison County
Independent Accountants' Report
Page 2

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 30, 2003

**SOMERFORD TOWNSHIP
MADISON 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, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$77,765	\$70,606	\$0	\$148,371
Intergovernmental	67,665	83,083	0	150,748
Licenses, Permits, and Fees	3,450	15,754	0	19,204
Earnings on Investments	1,913	485	15	2,413
Other Revenue	2,971	16,490	0	19,461
	<u>153,764</u>	<u>186,418</u>	<u>15</u>	<u>340,197</u>
Cash Disbursements:				
Current:				
General Government	93,072	1,334	0	94,406
Public Safety	0	74,827	0	74,827
Public Works	1,142	52,090	0	53,232
Health	18,230	31,395	0	49,625
Debt Service:				
Redemption of Principal	4,856	10,380	0	15,236
Interest and Fiscal Charges	1,147	2,020	0	3,167
Capital Outlay	26,036	42,596	0	68,632
	<u>144,483</u>	<u>214,642</u>	<u>0</u>	<u>359,125</u>
Total Receipts Over/(Under) Disbursements	<u>9,281</u>	<u>(28,224)</u>	<u>15</u>	<u>(18,928)</u>
Other Financing Receipts:				
Sale of Fixed Assets	<u>0</u>	<u>18,500</u>	<u>0</u>	<u>18,500</u>
Total Other Financing Receipts	<u>0</u>	<u>18,500</u>	<u>0</u>	<u>18,500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	9,281	(9,724)	15	(428)
Fund Cash Balances, January 1	<u>153,197</u>	<u>154,724</u>	<u>1,845</u>	<u>309,766</u>
Fund Cash Balances, December 31	<u>\$162,478</u>	<u>\$145,000</u>	<u>\$1,860</u>	<u>\$309,338</u>

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

**SOMERFORD TOWNSHIP
MADISON 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, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$76,425	\$70,751	\$0	\$147,176
Intergovernmental	50,319	90,108	0	140,427
Licenses, Permits, and Fees	4,698	13,119	0	17,817
Earnings on Investments	3,716	976	15	4,707
Other Revenue	2,219	35,227	0	37,446
	<u>137,377</u>	<u>210,181</u>	<u>15</u>	<u>347,573</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	95,335	4,243	0	99,578
Public Safety	0	85,083	0	85,083
Public Works	1,065	74,528	0	75,593
Health	15,484	21,779	0	37,263
Debt Service:				
Redemption of Principal	4,528	0	0	4,528
Interest and Fiscal Charges	1,475	0	0	1,475
Capital Outlay	14,781	13,236	0	28,017
	<u>132,668</u>	<u>198,869</u>	<u>0</u>	<u>331,537</u>
Total Cash Disbursements				
Total Receipts Over Disbursements	4,709	11,312	15	16,036
Fund Cash Balances, January 1	148,488	143,412	1,830	293,730
Fund Cash Balances, December 31	<u>\$153,197</u>	<u>\$154,724</u>	<u>\$1,845</u>	<u>\$309,766</u>

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

**SOMERFORD TOWNSHIP
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Somerford Township, Madison 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 road and bridge maintenance and cemetery maintenance. The Township contracts with the Central Township Fire Department and Village of Mechanicsburg Fire Department to provide fire services and ambulance services, respectively.

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

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.

Certificates of deposits are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

The Township uses fund accounting to segregate cash and equivalents 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:

**SOMERFORD TOWNSHIP
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Fire District Fund- This fund receives property tax money to pay for fire and ambulance services for the Township.

3. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. The Township had the following fiduciary funds:

Merilees Cemetery Bequest Fund (Non-Expendable Trust) – This fund receives restricted donations. Interest earned may be used to maintain graves in the cemetery.

Gaines Cemetery Bequest Fund (Non-Expendable Trust) – This fund receives restricted donations. Interest earned may be used to maintain graves in the 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 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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**SOMERFORD TOWNSHIP
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Township maintains a cash and investment 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:

	2002	2001
Demand deposits	\$294,661	\$295,393
Certificates of deposit	14,352	14,053
Total deposits	309,013	309,446
STAR Ohio	325	320
Total Investments	325	320
Total deposits and investments	\$309,338	\$309,766

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

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$95,687	\$153,764	\$58,077
Special Revenue	154,581	204,918	50,337
Fiduciary	45	15	(30)
Total	\$250,313	\$358,697	\$108,384

**SOMERFORD TOWNSHIP
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$200,000	\$144,483	\$55,517
Special Revenue	249,955	214,642	35,313
Fiduciary	45	0	45
Total	\$450,000	\$359,125	\$90,875

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$105,000	\$137,377	\$32,377
Special Revenue	164,000	210,181	46,181
Fiduciary	0	15	15
Total	\$269,000	\$347,573	\$78,573

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$232,900	\$132,668	\$100,232
Special Revenue	278,255	198,869	79,386
Fiduciary	45	0	45
Total	\$511,200	\$331,537	\$179,663

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, 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.

**SOMERFORD TOWNSHIP
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Land Contract	\$13,731	7%

The land contract for the purchase of the township building was entered into in 1996. Amortization of the above debt, including interest, is scheduled as follows:

	Land Contract
Year ending December 31:	
2003	\$6,003
2004	6,003
2005	3,002
Total	\$15,008

6. LEASE PURCHASE DISCLOSURE

In 2001 the Township leased an International Truck with Dump body for the purpose of maintenance of Township roads in the amount of \$62,000. The Township has entered into a lease purchase agreement with the Municipal Services Group Inc. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2002.

	Dump Truck Lease
Year ending December 31:	
2003	\$12,400
2004	12,400
2005	12,400
2006	12,400
Total minimum lease payments	49,600
Less: amount representing interest	(6,286)
Present value of minimum lease Payments.	\$34,184

Under the District's basis of accounting, these assets are not reflected on the accompanying financial statements.

**SOMERFORD TOWNSHIP
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RETIREMENT SYSTEM

The Township 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.

PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

8. RISK MANAGEMENT

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2722.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

The Township also provides health insurance to full-time employees through a private carrier.



**Auditor of State
Betty Montgomery**

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

Somerford Township
Madison County
P. O. Box 861
London, Ohio 43140

To the Board of Trustees:

We have audited the accompanying financial statements of Somerford Township, Madison County, Ohio, (the Township) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated April 30, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated April 30, 2003.

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 April 30, 2003.

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Somerford Township
Madison County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 30, 2003

**SOMERFORD TOWNSHIP
MADISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER	2003-001
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Ohio Rev. Code Section 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides an exception to the above requirement:

Then and Now Certificate - 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 Township 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, if such expenditure is otherwise valid.

If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees. In April of 2003, this amount was increased to three thousand dollars.

Sixty -three percent of the transactions tested were not certified by the fiscal officer prior to the commitment being incurred, nor were they certified using a "then and now" certification.

We recommend the Township certify that funds are available prior to incurring the expenditure or utilize the "then and now" certificates.



**Auditor of State
Betty Montgomery**

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SOMERFORD TOWNSHIP

MADISON 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
SEPTEMBER 16, 2003**