



Mary Taylor, CPA
Auditor of State

**SOMERS TOWNSHIP
PREBLE COUNTY**

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Mary Taylor, CPA Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 19, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Somers Township
Preble County
392 West Hendricks Street
Camden, Ohio 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, 2008 and 2007. 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.

Except as discussed in paragraph six below, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

We were unable to obtain sufficient evidence to support the completeness of sale of cemetery lot receipts reported as part of Special Revenue Miscellaneous Receipts comprising 5.6% and 4.7% of total Special Revenue operating receipts in 2008 and 2007, respectively, nor were we able to satisfy ourselves of the completeness by other auditing procedures.

Also, in our opinion, except for such adjustments, if any, that might have been determined to be necessary had we been able to obtain sufficient evidence supporting the Special Revenue Miscellaneous Receipts noted in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Somers Township, Preble County, Ohio as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

August 19, 2009

**SOMERS TOWNSHIP
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$20,142	\$121,443		\$141,585
Licenses, Permits, and Fees		17,200		17,200
Intergovernmental	21,610	122,750		144,360
Earnings on Investments	1,202	1,854	\$94	3,150
Miscellaneous	386	29,395		29,781
	<u>43,340</u>	<u>292,642</u>	<u>94</u>	<u>336,076</u>
Cash Disbursements:				
Current:				
General Government	79,710			79,710
Public Works		181,599		181,599
Health		46,913	100	47,013
Capital Outlay		19,677		19,677
	<u>79,710</u>	<u>248,189</u>	<u>100</u>	<u>327,999</u>
Total Receipts Over/(Under) Disbursements	<u>(36,370)</u>	<u>44,453</u>	<u>(6)</u>	<u>8,077</u>
Fund Cash Balances, January 1	<u>86,179</u>	<u>410,768</u>	<u>3,512</u>	<u>500,459</u>
Fund Cash Balances, December 31	<u>\$49,809</u>	<u>\$455,221</u>	<u>\$3,506</u>	<u>\$508,536</u>

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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$20,217	\$126,001		\$146,218
Licenses, Permits, and Fees		13,800		13,800
Intergovernmental	47,920	120,446		168,366
Earnings on Investments	1,817	2,197	\$56	4,070
Miscellaneous		17,431		17,431
	<u>69,954</u>	<u>279,875</u>	<u>56</u>	<u>349,885</u>
Cash Disbursements:				
Current:				
General Government	73,094			73,094
Public Works		135,078		135,078
Health		42,410	125	42,535
Capital Outlay		9,392		9,392
	<u>73,094</u>	<u>186,880</u>	<u>125</u>	<u>260,099</u>
Total Receipts Over/(Under) Disbursements	<u>(3,140)</u>	<u>92,995</u>	<u>(69)</u>	<u>89,786</u>
Other Financing Receipts:				
Other Financing Sources	742			742
	<u>742</u>	<u>0</u>	<u>0</u>	<u>742</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	(2,398)	92,995	(69)	90,528
Fund Cash Balances, January 1	88,577	317,773	3,581	409,931
Fund Cash Balances, December 31	<u>\$86,179</u>	<u>\$410,768</u>	<u>\$3,512</u>	<u>\$500,459</u>

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

**SOMERS TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Somers Township, Preble County, Ohio (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.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The organization is:

OTARMA which is a public entity risk pool that provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP).

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

C. Cash and Deposits

The Township values certificates of deposit at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and deposits that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**SOMERS TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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.

3. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Funds:

Smucker Cemetery Bequest Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

Eikenberry Cemetery Bequest Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's 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 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. 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.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**SOMERS TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant, and Equipment

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

G. 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.

2. Equity in Pooled Cash and Deposits

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

	2008	2007
Demand deposits	\$506,659	\$498,582
Certificates of deposit	1,877	1,877
Total deposits	\$508,536	\$500,459

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,463	\$43,340	\$1,877
Special Revenue	267,670	292,642	24,972
Permanent	40	94	54
Total	\$309,173	\$336,076	\$26,903

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$126,500	\$79,710	\$46,790
Special Revenue	635,400	248,189	387,211
Permanent	125	100	25
Total	\$762,025	\$327,999	\$434,026

**SOMERS TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,237	\$70,696	\$459
Special Revenue	287,398	279,875	(7,523)
Permanent	32	56	24
Total	\$357,667	\$350,627	(\$7,040)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$161,762	\$73,094	\$88,668
Special Revenue	613,466	186,880	426,586
Permanent	125	125	0
Total	\$775,353	\$260,099	\$515,254

4. Property Tax

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 homestead and rollback deductions. The financial statements include homestead and rollback 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.

Public utilities are also taxed on personal and real property located within the Township.

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 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**SOMERS TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**SOMERS TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Risk Management (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$4,133. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2005	\$5,634
2006	\$5,485
2007	\$4,510

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**SOMERS TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Related Party Transactions

The brothers of a Township Trustee own of a company from which the Township used services during the year. The company, George Brothers Garage, serviced the Township's vehicles during the audit period. The Township paid the garage \$2,658 during 2007 and \$5,368 during 2008.

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Mary Taylor, CPA

Auditor of State

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

Somers Township
Preble County
392 West Hendricks Street
Camden, Ohio 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, 2008 and 2007, and have issued our report thereon dated August 19, 2009 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We qualified our report because we were unable to obtain sufficient evidence to support the completeness of sale of cemetery lot receipts reported as part of Special Revenue Miscellaneous Receipts in 2007 and 2008. Except as discussed in the preceding sentence, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-001 through 2008-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe finding numbers 2008-001 through 2008-003 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated August 19, 2009.

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, providing an opinion 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 19, 2009.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 19, 2009

**SOMERS TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-001

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Township lacks management oversight in the collection and posting of receipts from the sale of cemetery lots. This lack of oversight is illustrated by the following:

- The Township did not provide sufficient documentation to substantiate any receipts received for the sale of lots for Deed #2128 and Deed #2130 in 2007 and Deed #2156A and Deed #2169 in 2008.
- In 2008 the Township received a total of \$900 [this is the correct fee charged for three lots sold] from Jerry Harsh [payments of \$500 + \$50 + \$100 + \$50 + \$200] for section 22, lots 159-161. However, the Township did not provide a deed which supported these receipts.
- The Township permits residents to make payments for the purchase of cemetery lots. The Township did not maintain a log book to determine the balance due on the lots. The purchaser did not sign a purchase contract outlining the payment terms for the purchase. The Fiscal Officer prints a receipt ledger each year and calculates which lots have been paid in full. The Township issues deeds once the lot is completely paid in full.

The items noted above resulted in an inability to obtain sufficient evidence to support the completeness of the Special Revenue miscellaneous receipts from the sale of cemetery lots, resulting in a qualified opinion on the financial statements.

Failure to reconcile deeds and lots sold to subsequent receipts could result in loss of revenues. We recommend the Township take due care to properly issue a deed for the purchase of all cemetery lots. The Township should periodically reconcile cemetery lots sold to subsequent receipts.

Failure to complete purchase agreements for the sale of cemetery lots by installment payment can result in lots that take excessive amounts of time to be paid in full. We recommend the Township maintain a ledger with balances for all individuals making installment payments for the purchase of cemetery lots. We recommend the Township complete a purchase contract with residents for the purchase of cemetery lots by installment payment outlining the terms of the purchase.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2008-002

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Township lacks management oversight in the posting of receipts. This lack of oversight is illustrated by the following:

- In 2007, the Fiscal Officer posted:
 - miscellaneous receipts (\$555) and a public utility reimbursement (\$187) to Other Financing Sources rather than Miscellaneous and Intergovernmental, respectively, in the General Fund.
 - a commercial activity tax refund (\$386) to Other Financing Sources rather than Miscellaneous in the General Fund.
 - homestead/rollback receipts in the General Fund (\$1,143), Road & Bridge Fund (\$2,218), Cemetery Fund (\$568), and Road Levy Fund (\$4,326) to Taxes rather than Intergovernmental.
 - homestead/rollback receipts in the General Fund (\$1,495), Road & Bridge Fund (\$2,831), Cemetery Fund (\$743), and Road Levy Fund (\$5,520) to Taxes rather than Intergovernmental.
 - personal property tax receipts in the General Fund (\$2,020), Road & Bridge Fund (\$1,425), Cemetery Fund (\$3,030), and Road Levy Fund (\$5,346) to Intergovernmental rather than Taxes.
- In 2008, the Fiscal Officer posted:
 - personal property tax receipts in the General Fund (\$1,811), Road & Bridge Fund (\$1,234), Cemetery Fund (\$2,717), and Road Levy Fund (\$4,629) to Intergovernmental rather than Taxes.
 - an auto license tax receipt (\$884) to Taxes in the General Fund rather than Intergovernmental in the Motor Vehicle License Tax Fund.
 - a public utility reimbursement (\$481) in the General Fund to Taxes rather than Intergovernmental.
 - a real estate tax receipt (\$12,346) in the Road Levy Fund to Intergovernmental rather than Taxes.

Adjustments were needed to properly classify the monies received (adjustments pertaining to 2007 were immaterial and therefore not posted to the accompanying financial statements). The accompanying financial statements for 2008 include total adjustments as follows:

General Fund – Other Financing Sources	(\$386)
General Fund – Taxes	1,048
General Fund – Intergovernmental	165
General Fund – Miscellaneous	386
Special Revenue Funds – Taxes	11,832
Special Revenue Funds – Intergovernmental	(10,948)

**FINDING NUMBER 2008-002
 (Continued)**

The net adjustments made to each fund balance is as follows:

Fund	2008
General Fund	(\$884)
Motor Vehicle License Tax	884

Failure to properly post revenues can result in inaccurate records and cause the Township to misappropriate funds. To improve accountability and record keeping, we recommend that the Township properly post all revenue receipts to the correct funds and line items. The Fiscal Officer should review receipts posted to the ledgers for accuracy. Comparisons between years may aid in the determination if the Fiscal Officer has properly posted a receipt.

The necessary adjustments have been posted to the Township's financial statements and, where applicable, the accounting records.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2008-003

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Township lacks management oversight in the posting of estimated receipts and appropriations. Per the UAN system, there were no supplemental appropriations during 2007 or 2008. However, the Fiscal Officer made direct adjustments to the permanent appropriations in the UAN system. The Trustees did not approve these adjustments in the minutes. Furthermore, due to these adjustments, the year end appropriations per the UAN system did not match the permanent appropriation resolutions. Also, the estimated receipts posted to the UAN system do not match the final certificate of estimated resources for 2007 and 2008. The Township failed to properly post estimated resources and appropriations to the system as follows:

Estimated Resources	Per Certificate of Estimated Resources	Amount Posted to Accounting System	Variance
General Fund – 2007	\$70,237	\$71,967	(\$1,730)
Ambulance - 2007	0	552	(552)
General Fund – 2008	41,463	51,134	(9,671)
Gas Tax – 2008	63,852	90,317	(26,465)
Road & Bridge – 2008	41,515	41,246	269
Cemetery – 2008	56,755	61,974	(5,219)
Ambulance – 2008	0	440	(440)
Road Levy – 2008	93,048	92,973	75
Permanent - 2008	40	125	(85)

**FINDING NUMBER 2008-003
 (Continued)**

Appropriations	Per Appropriation Resolution	Amount Posted to Accounting System and	Variance
General Fund – 2007	\$129,000	\$114,669	\$14,331
Gas Tax – 2007	250,000	210,907	39,093
Road & Bridge – 2007	68,000	66,868	1,132
Cemetery – 2007	114,000	92,989	21,011
Ambulance – 2007	0	440	(440)
Cemetery – 2008	98,000	102,000	(4,000)
Ambulance – 2008	0	440	(440)
Road Levy - 2008	92,800	102,560	(9,760)

Failure to properly post estimated receipts and appropriations could result in excessive spending and possible negative fund balances. We recommend the Township properly post estimated receipts and appropriations to their budgetary ledgers. Once posted, the Fiscal Officer and the Trustees should compare the estimated resources and appropriations on the accounting system to the official documents. All amendments to appropriations should be approved by the Trustees in the minutes.

Officials' Response:

Officials did not provide a response to this finding.

**SOMERS TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Revised Code Section 121.22, failure to document the purpose for an executive session	Yes	
2006-002	Ohio Revised Code Section 2921.42(A)(4), unlawful interest in a public contract	Yes	
2006-003	26 C.F.R. Section 1.6041-1, failure to issue a Form 1099	Yes	



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 24, 2009**