



Mary Taylor, CPA  
Auditor of State



**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings .....	15
Schedule of Prior Audit Findings .....	22

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Mary Taylor, CPA  
Auditor of State

Somerset Township  
Belmont County  
56783 Somerton Highway  
Barnesville, Ohio 43713

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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

May 7, 2010

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Somerset Township  
Belmont County  
56783 Somerton Highway  
Barnesville, Ohio 43713

To the Board of Trustees:

We have audited the accompanying financial statements of Somerset Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008. 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 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Somerset Township, Belmont County, Ohio, as of December 31, 2009 and 2008, 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 May 7, 2010, 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

May 7, 2010

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$24,259	\$39,829	\$64,088
Intergovernmental	53,800	156,856	210,656
Earnings on Investments	122	41	163
Miscellaneous	<u>26,932</u>	<u>9,519</u>	<u>36,451</u>
Total Cash Receipts	<u>105,113</u>	<u>206,245</u>	<u>311,358</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	44,550	24,786	69,336
Public Works	11,510	138,226	149,736
Conservation - Recreation	1,080		1,080
Capital Outlay	17,419	91,875	109,294
Debt Service:			
Redemption of Principal		43,000	43,000
Interest and Other Fiscal Charges	428	250	678
Total Cash Disbursements	<u>74,987</u>	<u>298,137</u>	<u>373,124</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>30,126</u>	<u>(91,892)</u>	<u>(61,766)</u>
<b>Other Financing Receipts:</b>			
Sale of Bonds		49,000	49,000
Sale of Notes		<u>43,250</u>	<u>43,250</u>
Total Other Financing Receipts	<u>0</u>	<u>92,250</u>	<u>92,250</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	30,126	358	30,484
Fund Cash Balances, January 1	<u>4,493</u>	<u>12,901</u>	<u>17,394</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$34,619</u></b>	<b><u>\$13,259</u></b>	<b><u>\$47,878</u></b>

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

**SOMERSET TOWNSHIP  
BELMONT 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>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$24,804	\$40,642	\$65,446
Intergovernmental	64,338	116,959	181,297
Earnings on Investments	10	562	572
Miscellaneous	3,840	614	4,454
	<u>92,992</u>	<u>158,777</u>	<u>251,769</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
General Government	61,797	10,165	71,962
Public Works	3,646	156,313	159,959
Health	16,751		16,751
Conservation - Recreation	4,500		4,500
Capital Outlay	12,499		12,499
	<u>99,193</u>	<u>166,478</u>	<u>265,671</u>
<b>Total Cash Disbursements</b>			
Total Cash Receipts (Under) Cash Disbursements	<u>(6,201)</u>	<u>(7,701)</u>	<u>(13,902)</u>
Fund Cash Balances, January 1	<u>10,694</u>	<u>20,602</u>	<u>31,296</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$4,493</u></u></b>	<b><u><u>\$12,901</u></u></b>	<b><u><u>\$17,394</u></u></b>

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

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**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 Somerset Township, Belmont 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Somerton Volunteer Fire Department to provide fire and ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 7 to the financial statements provides additional information for this entity.

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. Deposits**

The Township values certificates of deposit at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash that is 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.

**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.

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(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 for constructing, maintaining, and repairing Township roads.

United States Department of Agriculture Fund – This fund receives grant money and bond proceeds for the purchase of a dump truck.

**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. 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. The Township did not use the encumbrance method of accounting.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**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.

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**2. Equity in Pooled Deposits**

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

	2009	2008
Demand deposits	\$43,049	\$12,667
Certificates of deposit	4,829	4,727
Total deposits	\$47,878	\$17,394

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2009 and 2008, follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$103,031	\$105,113	\$2,082
Special Revenue	245,400	298,495	53,095
Total	\$348,431	\$403,608	\$55,177

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$85,931	\$74,987	\$10,944
Special Revenue	159,973	298,137	(138,164)
Total	\$245,904	\$373,124	(\$127,220)

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$88,949	\$92,992	\$4,043
Special Revenue	145,900	158,777	12,877
Total	\$234,849	\$251,769	\$16,920

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$98,644	\$99,193	(\$549)
Special Revenue	158,793	166,478	(7,685)
Total	\$257,437	\$265,671	(\$8,234)

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. Budgetary Activity (Continued)**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in several funds at the legal level of control for the years ended December 31, 2009 and 2008.

**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. Debt**

Debt outstanding at December 31, 2009, was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$49,000	4.25%

The Township issued general obligation bonds to finance the purchase of a new dump truck for Township road maintenance. The Township's taxing authority collateralized the bonds.

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

Year ending December 31:	General Obligation Bonds
2010	\$5,984
2011	6,113
2012	6,134
2013	6,147
2014	6,152
2014-2019	30,544
Total	\$61,074

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**6. Retirement System**

The Township's elected officials and 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

**7. Risk Management**

**Risk Pool Membership**

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. American Risk Pooling Consultants, Inc. (APRCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by APRCO. 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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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.

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, 2008 and 2007 (the latest information available):

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**7. Risk Management (Continued)**

**Risk Pool Membership (Continued)**

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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 \$3,000.

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.

<b><u>Contributions to OTARMA</u></b>	
2007	\$5,162
2008	\$4,962
2009	\$3,741

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.

**8. Contingent Liabilities**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



# 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*

Somerset Township  
Belmont County  
56783 Somerton Highway  
Barnesville, Ohio 43713

To the Board of Trustees:

We have audited the financial statements of Somerset Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 7, 2010, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of 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 internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider significant deficiencies in internal control over

financial reporting. We consider findings 2009-003 and 2009-004 to be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### **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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 7, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

May 7, 2010

**SOMERSET COUNTY  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

During 2009, the Township appropriated at the fund/function/object level. We noted the following instances where expenditures exceeded appropriations at the legal level of control at December 31, 2009:

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b><u>General</u></b>			
General Government/Fiscal Officer Salary	\$12,733	\$12,894	(\$161)
General Government/Workers' Compensation	800	1,490	(690)
General Government/ Payment to Another Political Subdivision	5,800	7,721	(1,921)
General Government/ Office Supplies	554	700	(146)
General Government/Electricity	844	1,000	(156)
General Government/Natural Gas	844	1,097	(253)
Public Works/Contracted Services	0	2,085	(2,085)
Public Works/Operating Supplies	0	9,646	(9,646)
Recreation/Repairs and Maintenance	0	1,080	(1,080)
Capital Outlay/Operating Supplies	0	500	(500)
Capital Outlay/Improvement of Sites	0	2,349	(2,349)
Capital Outlay/Machinery, Equipment, and Furniture	0	428	(428)
Capital Outlay/Other Capital Outlay	0	14,000	(14,000)
<b><u>Motor Vehicle License Tax</u></b>			
General Government/Trustees Salary	0	4,464	(4,464)
General Government/OPERS	0	495	(495)
General Government/Medicare	0	51	(51)
Public Works/Operating Supplies	6,000	8,550	(2,550)
Public Works/Small Tools and Equipment	1,000	3,386	(2,386)
<b><u>Gasoline Tax</u></b>			
General Government/Trustees Salary	0	8,705	(8,705)
General Government/OPERS	0	1,213	(1,213)
Public Works/OPERS	6,200	6,964	(764)
Public Works/Medicare	725	762	(37)
Public Works/Workers' Compensation	1,300	1,867	(567)
Public Works/Supplies	5,000	18,329	(13,329)

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2009-001 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)**

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b><u>Road and Bridge</u></b>			
Public Works/Electricity	\$2,250	\$2,556	(\$306)
Public Works/Payment to Another Political Subdivision	0	740	(740)
Public Works/Operating Supplies	2,000	31,561	(29,561)
Public Works/Small Tools and Minor Equipment	0	2,000	(2,000)
<b><u>Special Levy- Fire</u></b>			
General Government/Other Salaries	0	165	(165)
General Government/Contracted Services	7,700	9,500	(1,800)
General Government/Other	112	192	(80)
<b><u>United States Department of Agriculture</u></b>			
Capital Outlay/ Motor Vehicles	0	91,875	(91,875)

During 2008, the Township appropriated at the fund/function/object level. We noted the following instances where expenditures exceeded appropriations at the legal level of control at December 31, 2008:

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b><u>General</u></b>			
General Government/Fiscal Officer Salary	\$12,800	\$12,985	(\$185)
General Government/OPERS	5,300	6,189	(889)
General Government/Medicare	600	1,236	(636)
General Government/Workers' Compensation	800	1,650	(850)
General Government/Auditing Services	4,000	4,459	(459)
General Government/Payment to Other Political Subdivision	5,500	6,482	(982)
Public Works/Contracted Services	0	753	(753)
Public Works/Operating Supplies	0	1,693	(1,693)
Health/Repairs and Maintenance	0	4,300	(4,300)
Health/Operating Supplies	0	12,451	(12,451)
Recreation/Repairs and Maintenance	0	4,500	(4,500)
Capital Outlay/Operating Supplies	0	6,000	(6,000)
Capital Outlay/Improvement of Sites	3,000	6,499	(3,499)

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2009-001 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)**

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b><u>Motor Vehicle License Tax</u></b>			
Public Works/Operating Supplies	\$6,000	\$18,185	(\$12,185)
Public Works/Small Tools and Equipment	1,000	1,800	(800)
<b><u>Gasoline Tax</u></b>			
Public Works/Other Salaries	45,000	46,595	(1,595)
Public Works/OPERS	5,100	7,506	(2,406)
Public Works/Operating Supplies	15,000	28,126	(13,126)
<b><u>Road and Bridge</u></b>			
Public Works/Repairs and Maintenance	6,000	7,500	(1,500)
Public Works/Electricity	1,900	2,432	(532)
Public Works/Liability Insurance	5,300	5,568	(268)
Public Works/Operating Supplies	2,400	14,871	(12,471)
<b><u>Special Levy- Fire</u></b>			
General Government/Other Salaries	0	165	(165)
General Government/Contracted Services	7,500	10,000	(2,500)

The Township's failure to limit expenditures to the amounts appropriated could result in deficit spending.

We recommend the Board of Trustees and Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board of Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**FINDING NUMBER 2009-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2009-002 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code:

Then and Now Certificate - If the fiscal officer can certify that both at the time the contract or order was made "then" and at the time that the fiscal officer is completing the certification "now", that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Township upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

No obligations paid by the Township had a statement attached indicating the purchase was lawfully appropriated or in the process of collection to the credit of an appropriate fund, and free from any previous encumbrance. Purchase orders and blanket certificates contained the certification language; however, they were not signed by the Fiscal Officer.

Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances.

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2009-002 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Township. When prior certification is not possible, "then and now" certificates should be used.

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

**FINDING NUMBER 2009-003**

**Significant Deficiency**

The Township should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During 2009, the Board of Trustees signed a \$43,250 90-day promissory note with a local bank for the purpose of purchasing a chassis for the new dump truck. The financial institution paid the vendor directly on-behalf of the Township. The Fiscal Officer did not post the debt proceeds and the capital outlay expenditure to its financial records.

As a result, receipts and disbursements were understated on the Township's financial records and financial statements for 2009. This also resulted in violation of Ohio Rev. Code Section 5705.41(B) within the United States Department of Agriculture (USDA) Special Revenue Fund as this activity was not budgeted by the Board of Trustees (see Finding Numbers 2009-001).

The above noted adjustments were agreed to by the Board of Trustees and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer record all debt proceeds and the corresponding expenditures to the Township's financial records and, in turn, budget for such activity when the financial institution pays the vendor directly on-behalf of the Township.

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2009-004**

**Significant Deficiency**

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Fiscal Officer did not properly post budgeted receipts, and any amendments made to them, to the accounting system. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system throughout the year. The following table details these variances:

**Estimated Receipts**

<b>2009</b>		<u>Amount per Last</u>	<u>Amounts Posted to</u>	
<u>Fund</u>		<u>Amended Certificate</u>	<u>the Accounting System</u>	<u>Variance</u>
General		\$103,031	\$114,066	\$11,035
Gasoline Tax		86,000	90,057	4,057
Road and Bridge		32,000	40,884	8,884
Special Levy - Fire		7,900	8,000	100

  

<b>2008</b>		<u>Amount per Last</u>	<u>Amounts Posted to</u>	
<u>Fund</u>		<u>Amended Certificates</u>	<u>the Accounting System</u>	<u>Variance</u>
General		\$88,949	\$90,000	\$1,051
Motor Vehicle License		21,000	26,000	5,000
Gasoline Tax		85,000	89,165	4,165
Road and Bridge		32,200	40,312	8,112
Special Levy - Fire		7,700	7,500	(200)

The Fiscal Officer also did not properly post appropriations to the accounting system. Variances existed between the appropriation resolution and the amounts posted to the accounting system. The following table details these variances:

**Appropriations**

<b>2009</b>		<u>Amount per Last</u>	<u>Amounts Posted to</u>	
<u>Fund</u>		<u>Appropriation Resolution</u>	<u>the Accounting System</u>	<u>Variance</u>
General		\$85,931	\$114,460	(\$28,529)
Motor Vehicle License		28,866	24,300	4,566
Gasoline Tax		89,718	95,876	(6,158)
Road and Bridge		33,577	49,600	(16,023)
Special Levy - Fire		7,812	10,030	(2,218)
United States Department of Agriculture		0	92,000	(92,000)

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2009-004 (Continued)**

**Significant Deficiency (Continued)**

<b>2008</b>	<b><u>Amount per Last</u></b>	<b><u>Amounts Posted to</u></b>	<b><u>Variance</u></b>
<b><u>Fund</u></b>	<b><u>Appropriation Resolution</u></b>	<b><u>the Accounting System</u></b>	
General	\$98,644	\$117,326	(\$18,682)
Motor Vehicle License	23,904	23,900	4
Gasoline Tax	87,745	93,600	(5,855)
Road and Bridge	39,312	45,339	(6,027)
Special Levy - Fire	7,833	10,270	(2,437)

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budgetary activity throughout the year. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted receipts as certified by the County Auditor and appropriations per the appropriation resolution.

We recommend the Fiscal Officer record only estimated receipts per the Official Certificate of Estimated Resources and appropriations approved by the Board of Trustees. The Fiscal Officer should periodically present budget vs. actual results to the Board of Trustees. As part of their monitoring responsibilities, the Board of Trustees should review this information and should inquire to the Fiscal Officer if they note apparent errors in the budget or actual data and should also use this information to determine if they should amend estimated revenue or appropriations.

**Officials' Response:**

We did not receive a response from the Township.

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Ohio Rev. Code Section 5705.41(D)(1) – no prior certification of availability of funds.	No	Not Corrected; Repeated as Finding No. 2009-002.
2007-002	Ohio Rev. Code Section 5705.41(B) – expenditures exceeded appropriations in several funds.	No	Not Corrected; Repeated as Finding No. 2009-001.
2007-003	Not always properly posting appropriations within the accounting system.	No	Not Corrected; Repeated as Finding No. 2009-004.



**Mary Taylor, CPA**  
Auditor of State

**SOMERSET TOWNSHIP**

**BELMONT 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  
MAY 25, 2010**