



**SOMERSET TOWNSHIP
BELMONT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOMERSET TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

Somerset Township
Belmont County
56783 Somerton Highway
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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, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Somerset Township, Belmont County, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2000, on our consideration of Somerset Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

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

Jim Petro
Auditor of State

June 2, 2000

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$16,374	\$17,828	\$13,593	\$47,795
Intergovernmental Receipts	78,262	90,464	11,585	180,311
Earnings on Investments	140	279		419
Miscellaneous	11,497	8,946		20,443
	<u>106,273</u>	<u>117,517</u>	<u>25,178</u>	<u>248,968</u>
Cash Disbursements:				
Current:				
General Government	36,266	13,384		49,650
Public Works	39,139	96,506		135,645
Health	4,775			4,775
Conservation - Recreation	6,346			6,346
Capital Outlay	11,035	10,337		21,372
Note Principal Payments	12,000		23,051	35,051
Interest and Fiscal Charges	155		2,127	2,282
	<u>109,716</u>	<u>120,227</u>	<u>25,178</u>	<u>255,121</u>
Total Receipts Over/(Under) Disbursements	<u>(3,443)</u>	<u>(2,710)</u>	<u>0</u>	<u>(6,153)</u>
Fund Cash Balances, January 1	<u>3,501</u>	<u>7,466</u>	<u>0</u>	<u>10,967</u>
Fund Cash Balances, December 31	<u>\$58</u>	<u>\$4,756</u>	<u>\$0</u>	<u>\$4,814</u>

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

**SOMERSET TOWNSHIP
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Nonexpendable Trust
Operating Cash Receipts:	
Interest	\$164
Total Operating Cash Receipts	164
Operating Income/(Loss)	164
Fund Cash Balance, January 1	5,228
Fund Cash Balance, December 31	\$5,392

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

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$15,752	\$16,647	\$13,593	\$	\$45,992
Intergovernmental Receipts	83,189	68,068		19,765	171,022
Earnings on Investments	138	277			415
Miscellaneous	2,440	2,811			5,251
Total Cash Receipts	<u>101,519</u>	<u>87,803</u>	<u>13,593</u>	<u>19,765</u>	<u>222,680</u>
Cash Disbursements:					
Current:					
General Government	36,630	8,834			45,464
Public Works	43,425	76,750			120,175
Health	3,759				3,759
Conservation - Recreation	4,361				4,361
Capital Outlay	80,440	618		19,765	100,823
Note Principal Payments			18,592		18,592
Interest and Fiscal Charges			2,278		2,278
Total Cash Disbursements	<u>168,615</u>	<u>86,202</u>	<u>20,870</u>	<u>19,765</u>	<u>295,452</u>
Total Receipts Over/(Under) Disbursements	<u>(67,096)</u>	<u>1,601</u>	<u>(7,277)</u>	<u>0</u>	<u>(72,772)</u>
Other Financing Receipts/(Disbursements):					
Proceeds of Notes	70,044				70,044
Total Other Financing Receipts/(Disbursements)	<u>70,044</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>70,044</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>2,948</u>	<u>1,601</u>	<u>(7,277)</u>	<u>0</u>	<u>(2,728)</u>
Fund Cash Balances, January 1	<u>553</u>	<u>5,865</u>	<u>7,277</u>	<u>0</u>	<u>13,695</u>
Fund Cash Balances, December 31	<u>\$3,501</u>	<u>\$7,466</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10,967</u>

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

**SOMERSET TOWNSHIP
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Nonexpendable Trust
Operating Cash Receipts:	
Interest	\$168
Miscellaneous	1,000
Total Operating Cash Receipts	1,168
Operating Income/(Loss)	1,168
Fund Cash Balance, January 1	4,060
Fund Cash Balance, December 31	\$5,228

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

**SOMERSET TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1988**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Somerset Township, Belmont County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Somerton Volunteer Fire Department to provide fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

This fund is used to accumulate resources for the payment of note indebtedness remaining on the tractor and mower.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Issue II Fund - The Township received a grant from the State of Ohio through Belmont County for road repair.

5. Fiduciary Fund

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

Cemetery Bequest Fund - This fund receives interest from principal that is invested in certificates of deposit. The interest is used for payment of the up-keep of cemeteries located in the Township.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 1999 and 1988 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH

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

	<u>1999</u>	<u>1988</u>
Demand deposits	\$6,206	\$13,195
Certificates of deposit	4,000	3,000
Total deposits	<u>\$10,206</u>	<u>\$16,195</u>

Deposits: The Township's deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998, follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,090	\$106,273	\$19,183
Special Revenue	77,839	117,517	39,678
Debt Service	25,178	25,178	0
Nonexpendable Trust		164	164
Total	<u>\$190,107</u>	<u>\$249,132</u>	<u>\$59,025</u>

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

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$112,098	\$109,716	\$2,382
Special Revenue	124,903	120,227	4,676
Debt Service	25,178	25,178	0
Nonexpendable Trust	1,000		1,000
Total	<u>\$263,179</u>	<u>\$255,121</u>	<u>\$8,058</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$105,640	\$171,563	\$65,923
Special Revenue	75,175	87,803	12,628
Debt Service	13,593	13,593	0
Capital Projects		19,765	19,765
Nonexpendable Trust	1,000	1,168	168
Total	<u>\$195,408</u>	<u>\$293,892</u>	<u>\$98,484</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$115,282	\$168,615	(\$53,333)
Special Revenue	91,766	86,202	5,564
Debt Service	21,111	20,870	241
Capital Projects		19,765	(19,765)
Nonexpendable Trust			0
Total	<u>\$228,159</u>	<u>\$295,452</u>	<u>(\$67,293)</u>

During 1999, the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Fire District and FEMA Funds had appropriations which exceeded estimated resources. During 1998, the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge and Fire District Funds had appropriations which exceeded estimated resources.

During 1998, the General and Issue II Funds had expenditures exceeding appropriations.

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

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. DEBT

Debt outstanding at December 31, 1999, was as follows:

	Principal	Interest Rate
General Obligation Notes	\$16,401	6.37%

The general obligation notes were issued to finance the purchase of a tractor and mower to be used for Township road maintenance. The notes are collateralized solely by the Township's taxing authority.

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

Year ending December 31:	General Obligation Notes
2000	\$13,593
2001	3,924
Total	\$17,517

6. RETIREMENT SYSTEMS

All of the Township's employees, as well as the Clerk and Trustees, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1988, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

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

7. RISK MANAGEMENT

The Township is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

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

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



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

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, 1999 and 1998, and have issued our report thereon dated June 2, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 1999-41007-001 through 1999-41007-003. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 2, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-41007-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable condition that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 2, 2000.

Somerset Township
Belmont County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 2, 2000

**SOMERSET TOWNSHIP
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-41007-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

Total disbursements were compared to total appropriations at year-end at the fund, function, and object level (legal level of control). At December 31, 1998, the General and Issue II Funds expenditures exceeded appropriations by \$53,333 and \$19,765, respectively. These discrepancies were due to audit adjustments made.

We recommend all Township disbursements be recorded on their financial records and that Township officials monitor disbursements to help ensure they do not exceed appropriations.

FINDING NUMBER 1999-41007-002

Noncompliance Citation

Ohio Rev. Code Section 5705.39 prohibits a political subdivision or taxing unit from making a fund appropriation in excess of the estimated revenue available for expenditure from the fund as certified by the Budget Commission on the official certificate of estimated resources.

Appropriations exceeded estimated resources for the funds and amounts listed below:

<u>Fund</u>	<u>1999</u>	<u>1998</u>
General	\$21,508	\$9,090
Motor Vehicle License Tax	6,893	5,063
Gasoline Tax	12,205	437
Road and Bridge	4,649	4,214
Fire District	1,111	1,013
FEMA	14,740	0

We recommend the Township compare appropriations to estimated revenue for each fund when the annual appropriation resolution is adopted and when supplemental amendments are passed to help ensure amounts appropriated do not exceed estimated revenues.

FINDING NUMBER 1999-41007-003

Noncompliance Citation

Ohio Admin. Code § 117-3-09 (B) requires each Township to post the estimated amount of money anticipated to be received into the account as specified by the County Budget Commission in its official estimate of balances and receipts set forth in the certificates of estimated resources.

The Township's accounting system did not reflect estimated resources posted for any funds for 1999 or 1998. Consequently, comparison of actual to estimated receipt information was unavailable for use as a basis for managing the Township and may have contributed to the above noted instances of appropriations exceeding estimated resources.

**SOMERSET TOWNSHIP
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-41007-003 (Continued)

Noncompliance Citation (Continued)

Ohio Admin. Code § 117-3-09 (B) (Continued)

We recommend that estimated resource amounts be posted to Township financial records when received from the County Budget Commission and each time these amounts are amended.

FINDING NUMBER 1999-41007-004

Reportable Condition

Accounting for On-Behalf-Of Grants

When a local government enters into an on-behalf-of program agreement with another local government, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made. Also once this grant is awarded the local government should follow the normal budgetary procedures and obtain an amended certificate of estimated resources and have the legislative authority appropriate the monies.

During 1998, the Township received Issue II monies from Belmont County to be used for road repair within the Township; however, these monies were not recorded as a receipt or expenditure on the books of the Township. The accompanying 1998 financial statements were adjusted to reflect the Issue II monies spent by Belmont County on-behalf-of the Township.

We recommend the Township follow the guidance of Auditor of State Audit Bulletin Number 2000-008 and Management Advisory Services Bulletin 89-17 when they enter into these types of on-behalf-of grants with another local government.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
SEPTEMBER 19, 2000