



**Auditor of State  
Betty Montgomery**



VILLAGE OF SOMERVILLE  
BUTLER COUNTY

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**Auditor of State  
Betty Montgomery**

Village of Somerville  
Butler County  
146 Main Street  
Somerville, Ohio 45064

To the Village Council:

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 a February 2, 2005 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 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 "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

November 8, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Somerville  
Butler County  
146 Main Street  
Somerville, Ohio 45064

To the Village Council:

We have audited the accompanying financial statements of the Village of Somerville, Butler County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village'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 Village 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 Village 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 Village 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Somerville, Butler County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village 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 November 8, 2005, on our consideration of the Village'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.



**Betty Montgomery**  
Auditor of State

November 8, 2005



**VILLAGE OF SOMERVILLE  
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|   | <b>General</b>         | <b>Special<br/>Revenue</b> | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|------------------------|----------------------------|---|
| <b>Cash Receipts:</b>   |                        |                            |   |
| Property Tax and Other Local Taxes  | \$7,103                | \$0                        | \$7,103                                 |
| Intergovernmental Receipts  | 28,409                 | 20,066                     | 48,475                                  |
| Charges for Services  |                        | 2,100                      | 2,100                                   |
| Earnings on Investments   | 196                    | 164                        | 360                                     |
| Miscellaneous   | 1,203                  | 250                        | 1,453                                   |
|   | <u>36,911</u>          | <u>22,580</u>              | <u>59,491</u>                           |
| <b>Cash Disbursements:</b>  |                        |                            |   |
| Current:  |                        |                            |   |
| Security of Persons and Property  | 15,535                 | 4,486                      | 20,021                                  |
| Public Health Services  | 90                     |                            | 90                                      |
| Leisure Time Activities   | 3,190                  |                            | 3,190                                   |
| Transportation  |                        | 19,977                     | 19,977                                  |
| General Government  | 24,931                 |                            | 24,931                                  |
| Capital Outlay  | 172                    | 4,116                      | 4,288                                   |
|   | <u>43,918</u>          | <u>28,579</u>              | <u>72,497</u>                           |
| Total Cash Disbursements  | <u>43,918</u>          | <u>28,579</u>              | <u>72,497</u>                           |
| Total Receipts (Under) Disbursements  | <u>(7,007)</u>         | <u>(5,999)</u>             | <u>(13,006)</u>                         |
| <b>Other Financing Receipts and (Disbursements):</b>  |                        |                            |   |
| Transfers-In  |                        | 1,883                      | 1,883                                   |
| Transfers-Out   | (1,883)                | 0                          | (1,883)                                 |
|   | <u>(1,883)</u>         | <u>1,883</u>               | <u>0</u>                                |
| Total Other Financing Receipts/(Disbursements)  | <u>(1,883)</u>         | <u>1,883</u>               | <u>0</u>                                |
| Excess of Cash Receipts and Other Financing<br>Receipts (Under) Cash Disbursements<br>and Other Financing Disbursements | (8,890)                | (4,116)                    | (13,006)                                |
| Fund Cash Balances, January 1   | <u>19,152</u>          | <u>27,653</u>              | <u>46,805</u>                           |
| <b>Fund Cash Balances, December 31</b>  | <b><u>\$10,262</u></b> | <b><u>\$23,537</u></b>     | <b><u>\$33,799</u></b>                  |
| Reserves for Encumbrances, December 31  | <u>\$3,299</u>         | <u>\$2,915</u>             | <u>\$6,214</u>                          |

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

**VILLAGE OF SOMERVILLE  
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

|  | <u>General</u>         | <u>Special<br/>Revenue</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|------------------------|----------------------------|---|
| <b>Cash Receipts:</b>                  |                        |                            |   |
| Property Tax and Other Local Taxes     | \$6,350                | \$0                        | \$6,350                                 |
| Intergovernmental Receipts             | 27,541                 | 14,843                     | 42,384                                  |
| Charges for Services                   |                        | 2,300                      | 2,300                                   |
| Earnings on Investments                | 455                    | 101                        | 556                                     |
| Miscellaneous                          | 1,592                  | 668                        | 2,260                                   |
|  | <u>35,938</u>          | <u>17,912</u>              | <u>53,850</u>                           |
| <b>Cash Disbursements:</b>             |                        |                            |   |
| Current:                               |                        |                            |   |
| Security of Persons and Property       | 14,033                 |                            | 14,033                                  |
| Public Health Services                 | 50                     |                            | 50                                      |
| Leisure Time Activities                | 3,514                  |                            | 3,514                                   |
| Transportation                         |                        | 19,084                     | 19,084                                  |
| General Government                     | 26,241                 |                            | 26,241                                  |
| Capital Outlay                         | 1,279                  | 4,268                      | 5,547                                   |
|  | <u>45,117</u>          | <u>23,352</u>              | <u>68,469</u>                           |
| Total Receipts (Under) Disbursements   | <u>(9,179)</u>         | <u>(5,440)</u>             | <u>(14,619)</u>                         |
| Fund Cash Balances, January 1          | <u>28,331</u>          | <u>33,093</u>              | <u>61,424</u>                           |
| <b>Fund Cash Balances, December 31</b> | <b><u>\$19,152</u></b> | <b><u>\$27,653</u></b>     | <b><u>\$46,805</u></b>                  |
| Reserves for Encumbrances, December 31 | <u>\$627</u>           | <u>\$2,001</u>             | <u>\$2,628</u>                          |

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

**VILLAGE OF SOMERVILLE  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**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 the Village of Somerville, Butler County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government services, including fire protection, park operations, and police services.

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

**B. Basis of Accounting**

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Deposits**

The Village funds are pooled in a savings account and checking account with a local commercial bank.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village 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 Fund**

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

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**VILLAGE OF SOMERVILLE  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. During 2003 and 2004, the Village Council sent their original appropriation measures to the County but failed to approve the original and supplemental appropriations. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**2. EQUITY IN POOLED CASH AND DEPOSITS**

The Village 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:

|                 |                 |                 |
|-----------------|-----------------|-----------------|
|                 | 2004            | 2003            |
| Demand deposits | <u>\$33,799</u> | <u>\$46,805</u> |

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

**VILLAGE OF SOMERVILLE  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

| 2004 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$45,150             | \$36,911           | (\$8,239) |
| Special Revenue                   | 17,126               | 24,463             | 7,337     |
| Total                             | \$62,276             | \$61,374           | (\$902)   |

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |          |
|---|----------------------------|---------------------------|----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance |
| General   | \$66,692                   | \$49,100                  | \$17,592 |
| Special Revenue                                       | 53,520                     | 31,494                    | 22,026   |
| Total   | \$120,212                  | \$80,594                  | \$39,618 |

| 2003 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$45,471             | \$35,938           | (\$9,533) |
| Special Revenue                   | 15,500               | 17,912             | 2,412     |
| Total                             | \$60,971             | \$53,850           | (\$7,121) |

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |          |
|---|----------------------------|---------------------------|----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance |
| General   | \$66,752                   | \$45,744                  | \$21,008 |
| Special Revenue                                       | 66,020                     | 25,353                    | 40,667   |
| Total   | \$132,772                  | \$71,097                  | \$61,675 |

The Village did not certify to the County Auditor their Certificate of the Total Amount From All Sources Available for Expenditures and Balances for 2003.

The Village had appropriations that exceeded estimated revenues in the General Fund for 2003, Street Construction Maintenance and Repair for 2003 and 2004, State Highway for 2003 and 2004, Permissive Motor Vehicle License Tax for 2003 and 2004, Fire Equipment for 2003 and 2004, and the FEMA Grant for 2003.

The Village had disbursements exceeding appropriations in the State Fire Marshal Fund for 2003.

The Village failed to adopt a tax budget for 2004.

**VILLAGE OF SOMERVILLE  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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 Village.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. RETIREMENT SYSTEMS**

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**6. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31:

|                     | <u>2004</u>          | <u>2003</u>          |
|---------------------|----------------------|----------------------|
| Assets              | \$2,390,150          | \$1,811,340          |
| Liabilities         | <u>(3,424,271)</u>   | <u>(3,653,152)</u>   |
| Accumulated deficit | <u>(\$1,034,121)</u> | <u>(\$1,841,812)</u> |



## Auditor of State Betty Montgomery

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

Village of Somerville  
Butler County  
146 Main Street  
Somerville, Ohio 45064

To the Village Council:

We have audited the financial statements of the Village of Somerville, Butler County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated November 8, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village 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 Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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*. 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 Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Government's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 through 2004-008.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Village's management dated November 8, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the Village'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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-007. In a separate letter to the Village's management dated November 8, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

November 8, 2005



**VILLAGE OF SOMERVILLE  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2004-001**

**Noncompliance Citation/Reportable Condition**

**Ohio Rev. Code, Section 5705.41(D)(1)**, prohibits a subdivision or taxing entity 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.

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.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that 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 previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance 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 Village.

2. **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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.
3. **Super Blanket Certificate** – The Village 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.

Thirty-two percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2004-001  
 (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 Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 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 2004-002**

**Noncompliance Citation/Reportable Condition**

**Ohio Rev. Code, Section 5705.36**, requires the fiscal officers of subdivisions and other taxing units, on or about the first day of each fiscal year, to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Village did not certify to the county auditor their Certificate of the Total Amount from All Sources Available for Expenditures, and Balances for FY 2003. Failure to properly monitor budgetary activity could result in overspending and ultimately negative fund balances. We recommend that the Village file all required documents with the County Auditor.

**FINDING NUMBER 2004-003**

**Noncompliance Citation/Reportable Condition**

**Ohio Rev. Code, Section 5705.39**, states in part that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure therefrom, as certified by the budget commission, or in the case of appeal, by the board of tax appeals. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The following funds were found to have appropriations exceeding estimated revenue during FY 2004:

|  | <u>Appropriations</u> | <u>Estimated Resources</u> | <u>Variance</u> |
|--|-----------------------|----------------------------|-----------------|
| Street Construction Maintenance and Repair | 33,275                | 31,184                     | (2,091)         |
| State Highway                              | 4,345                 | 3,142                      | (1,203)         |
| Permissive Motor Vehicle License Tax       | 8,200                 | 6,000                      | (2,200)         |
| Fire Equipment – Major Repair              | 7,700                 | 2,700                      | (5,000)         |

**FINDING NUMBER 2004-003  
 (Continued)**

The following funds were found to have appropriations exceeding estimated revenue during FY 2003:

|  | <u>Appropriations</u> | <u>Estimated Resources</u> | <u>Variance</u> |
|--|-----------------------|----------------------------|-----------------|
| General                                    | 66,752                | 56,898                     | (9,854)         |
| Street Construction Maintenance and Repair | 33,275                | 33,000                     | (275)           |
| State Highway                              | 4,345                 | 3,200                      | (1,145)         |
| Permissive Motor Vehicle License           |                       |                            |                 |
| Tax  | 8,200                 | 6,000                      | (2,200)         |
| Fire Equipment – Major Repair              | 7,700                 | 2,500                      | (5,200)         |
| FEMA Grant                                 | 12,500                | 0                          | (12,500)        |

The Village did not provide documentation that the County Auditor's certificate had been executed for 2003 and 2004. Failure to properly monitor budgetary activity could result in overspending and ultimately negative fund balances. We recommend that the Village monitor their appropriations versus their estimated resources. We also recommend that the Village execute all budgetary documents required by the Ohio Revised Code so that all budgetary documents are legally adopted.

**FINDING NUMBER 2004-004**

**Noncompliance Citation/Reportable Condition\***

**Ohio Rev. Code, Section 5705.28**, states that on or before July 15 in each year, the taxing authority of each subdivision or other taxing unit is required to adopt a tax budget for the next succeeding year. The Village Council failed to adopt a tax budget during FY 2004. Failure to properly monitor budgetary activity could result in overspending and ultimately negative fund balances. We recommend that Council approve the Village's tax budget as required by the Ohio Revised Code.

**FINDING NUMBER 2004-005**

**Noncompliance Citation/Reportable Condition**

**Ohio Rev. Code, Section 5705.38**, states that an appropriation measure is to be passed on or about the first day of each fiscal year. The Village sent appropriations to the County Auditor for both 2003 and 2004 but these appropriations were not approved in the minutes by Village Council. Failure to properly monitor budgetary activity could result in overspending and ultimately negative fund balances. We recommend that the Village Council approve appropriations by the required date and before they are sent to the County Auditor for certification.

**FINDING NUMBER 2004-006**

**Noncompliance Citation/Reportable Condition\***

**Ohio Rev. Code, Section 5705.40**, states in part that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The Village Council failed to approve appropriation amendments that were put into the UAN system. Failure to properly monitor budgetary activity could result in overspending and ultimately negative fund balances. We recommend that Council approve all appropriation amendments.

**FINDING NUMBER 2004-007**

**Noncompliance Citation/Reportable Condition\***

**Ohio Rev. Code, Section 5705.41(B)**, prohibits a subdivision from making an expenditure unless it has been properly appropriated. Expenditures exceeded appropriations in FY 2003 in the State Fire Marshal Fund in the amount of \$4,467. Failure to properly monitor budgetary activity could result in overspending and ultimately negative fund balances. We recommend that the Village monitor their budgetary activity on a periodic basis.

**FINDING NUMBER 2004-008**

**Reportable Condition\***

The Village's Certificate of Estimated Resources and their Annual Appropriation Ordinance (plus any amendments) were not accurately reflected on the UAN accounting system. The amount of estimated resources per the Amended Certificate exceeded the amount of estimated resources posted to the system for several funds. Also, the appropriations that were posted to the system exceeded the appropriations that were sent to the County Budget Commission throughout the year. The receipts ledger facilitates the comparison of estimated to actual receipts within each fund and the expense ledger facilitates the comparison of estimated and actual expenditures for the year. Incorrect estimated resources in the UAN system gives Council an inaccurate view of budgeted financial statements. When appropriations recorded on the system exceed amounts approved by the Village Council, the Village is likely to spend more than they appropriated for the year. Therefore, we recommend that the Village amend the Certificate of Estimated Resources and Appropriation Ordinance throughout the year, when necessary, and use due care when making changes to the system to reflect the official document and only appropriation amounts approved by Council.

\* These items were reported in the management letter of the 2002-2001 audit of the financial statements.

VILLAGE OF SOMERVILLE  
BUTLER COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004

| 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> |
|----------------|---|------------------|--|
| 2002-001       | Ohio Rev. Code 5705.41(D), certification of the availability of funds | No               | Not Corrected – repeated as finding 2004-001   |





**Auditor of State  
Betty Montgomery**

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**VILLAGE OF SOMERVILLE  
BUTLER 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  
DECEMBER 27, 2005**