

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2007 - 2006**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Somerset  
100 Public Square  
Somerset, Ohio 43783

We have reviewed the *Independent Accountants' Report* of the Village of Somerset, Perry County, prepared by Knox & Knox, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Somerset is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 26, 2008

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VILLAGE OF SOMERSET  
PERRY COUNTY

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# KNOX & KNOX

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Accountants and Consultants

## Independent Accountants' Report

Village of Somerset  
Perry County  
100 Public Square  
Somerset, Ohio 43783

To the Village Council:

We have audited the accompanying financial statements of the Village of Somerset, Perry County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006. 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 *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, if any, 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 described more fully in Note 1, the Village has prepared its 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 accounting principles generally accepted in the United States of America, 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 years ended December 31, 2007 and 2006. In addition to the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements. While the Village does not follow GAAP, generally accepted auditing standards require 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 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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position and cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Village of Somerset, Perry County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 April 29, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

***Knox & Knox***

Orrville, Ohio  
April 29, 2008



VILLAGE OF SOMERSET  
PERRY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>CASH RECEIPTS:</b>				
Property Taxes	\$71,678	\$40,066		\$111,744
Intergovernmental Revenue	336,690	135,220	\$61,166	533,076
Charges for Services	8,117			8,117
Fines, Licenses, and Permits	18,196	27,821		46,017
Interest	24,961			24,961
Other	4,232			4,232
	<u>463,874</u>	<u>203,107</u>	<u>61,166</u>	<u>728,147</u>
<b>Total Cash Receipts</b>				
<b>CASH DISBURSEMENTS:</b>				
Security of Persons and Property	89,714	37,671		127,385
Leisure Time Activities	3,000			3,000
Community Environment	198			198
Transportation		99,241		99,241
General Government	191,188			191,188
Capital Outlay		36,259	61,152	97,411
	<u>284,100</u>	<u>173,171</u>	<u>61,152</u>	<u>518,423</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	179,774	29,936	14	209,724
Fund Cash Balances, January 1	<u>160,293</u>	<u>75,782</u>	<u>(54,870)</u>	<u>181,205</u>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<u>\$340,067</u>	<u>\$105,718</u>	<u>(\$54,856)</u>	<u>\$390,929</u>

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

VILLAGE OF SOMERSET  
PERRY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>OPERATING CASH RECEIPTS:</b>			
Charges for Services	\$602,263		\$602,263
Miscellaneous		\$25,610	25,610
	<u>602,263</u>	<u>25,610</u>	<u>627,873</u>
<b>OPERATING CASH DISBURSEMENTS:</b>			
Personal Services	170,784		170,784
Transportation	2,443		2,443
Contractual Services	122,992		122,992
Supplies and Materials	55,364		55,364
Other	17,804	25,610	43,414
	<u>369,387</u>	<u>25,610</u>	<u>394,997</u>
Operating Income/(Loss)	<u>232,876</u>	<u></u>	<u>232,876</u>
<b>NON-OPERATING CASH DISBURSEMENTS:</b>			
Debt Service			
Redemption of Principal	(72,496)		(72,496)
Interest and Fiscal Charges	(87,750)		(87,750)
	<u>(160,246)</u>	<u></u>	<u>(160,246)</u>
Net Receipts Over/(Under) Disbursements	72,630		72,630
Fund Cash Balances, January 1	<u>721,771</u>	<u>\$272</u>	<u>722,043</u>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<u><u>\$794,401</u></u>	<u><u>\$272</u></u>	<u><u>\$794,673</u></u>

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

VILLAGE OF SOMERSET  
PERRY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>CASH RECEIPTS:</b>				
Property Taxes	\$79,287	\$37,241		\$116,528
Intergovernmental Revenue	50,201	\$111,765	\$74,792	236,758
Charges for Services	9,263			9,263
Fines, Licenses, and Permits	11,538	1,448		12,986
Interest	34,311			34,311
	<u>184,600</u>	<u>150,454</u>	<u>74,792</u>	<u>409,846</u>
<b>CASH DISBURSEMENTS:</b>				
Security of Persons and Property	93,750	26,380		120,130
Leisure Time Activities	1,287			1,287
Community Environment	108			108
Transportation		88,192		88,192
General Government	73,745	2,031		75,776
Capital Outlay		1,092	423,025	424,117
	<u>168,890</u>	<u>117,695</u>	<u>423,025</u>	<u>709,610</u>
Total Receipts Over/(Under) Disbursements	15,710	32,759	(348,233)	(299,764)
Fund Cash Balances, January 1	<u>144,583</u>	<u>43,023</u>	<u>293,363</u>	<u>480,969</u>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<u><u>\$160,293</u></u>	<u><u>\$75,782</u></u>	<u><u>(\$54,870)</u></u>	<u><u>\$181,205</u></u>

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

VILLAGE OF SOMERSET  
PERRY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>OPERATING CASH RECEIPTS:</b>			
Charges for Services	\$559,674		\$559,674
Miscellaneous		\$18,559	18,559
Total Operating Cash Receipts	559,674	18,559	578,233
<b>OPERATING CASH DISBURSEMENTS:</b>			
Personal Services	164,977		164,977
Transportation	2,586		2,586
Contractual Services	74,494		74,494
Supplies and Materials	45,183		45,183
Capital Outlay	224,984		224,984
Other	4,979	18,559	23,538
Total Operating Cash Disbursements	517,203	18,559	535,762
Operating Income/(Loss)	42,471		42,471
<b>NON-OPERATING CASH DISBURSEMENTS:</b>			
Debt Service			
Redemption of Principal	(92,159)		(92,159)
Interest and Fiscal Charges	(100,820)		(100,820)
Other Financial Uses	(139)		(139)
Total Non-Operating Cash Disbursements	(193,118)		(193,118)
Net Receipts Over/(Under) Disbursements	(150,647)		(150,647)
Fund Cash Balances, January 1	872,418	\$272	872,690
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b>\$721,771</b>	<b>\$272</b>	<b>\$722,043</b>

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

VILLAGE OF SOMERSET  
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

The Village of Somerset, Perry County, Ohio, (the Village) 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 Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water, sewer, and electric utilities, park operations (leisure time activities), and police services (security of persons and property).

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. **CASH INVESTMENTS**

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. **FUND ACCOUNTING**

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

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.

VILLAGE OF SOMERSET  
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

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

D. **FUND ACCOUNTING** (continued)

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 Village has the following significant Special Revenue Funds:

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

*Police Levy Fund* - This fund receives property tax money to provide police services.

3. **Capital Projects Funds**

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

*Courthouse Restoration Fund* - This fund receives grants and proceeds from general obligation bonds to make improvements to the courthouse.

*Water Plant Project Fund* - This fund receives grants and loan proceeds for the construction of improvements to the Village water plant.

4. **Enterprise Funds**

These funds are used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant enterprise funds:

*Water Fund* - This fund receives charges for services from residents to cover the cost of providing water service.

*Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing sewer service.

5. **Fiduciary Funds (Agency Funds)**

Agency Funds are for which the Village is acting in an agency capacity. The Village has the following significant agency fund:

*Mayor's Court Fund* - This agency fund accounts for and reports the financial activity of the Mayor's Court of the Village.

VILLAGE OF SOMERSET  
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

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

E. **BUDGETARY PROCESS**

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

1. **Estimated Resources**

The county auditor calculates the estimated revenues available to the Village and prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate, which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

2. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the department, division or office level of control, and within each, amounts appropriated for personal services. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

3. **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding year without being reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

VILLAGE OF SOMERSET  
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

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

E. **PROPERTY, PLANT AND EQUIPMENT**

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

F. **ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

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

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$341,976	\$147,946
Certificates of deposit	<u>843,626</u>	<u>755,302</u>
Total	<u>\$1,185,602</u>	<u>\$903,248</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) by the financial institution's public entity deposit pool or (3) collateralized by securities pledged specifically by the financial institution to the Village.

3. **PROPERTY TAX**

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2006.

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

Tangible personal property tax is assessed by the property owner, 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 Village.



VILLAGE OF SOMERSET  
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

4. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2007 and 2006, follows:

<u>Fund Type</u>	<u>2007 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General		\$463,874	\$463,874
Special Revenue		203,107	203,107
Capital Projects		61,166	61,166
Enterprise		602,263	602,263
Total		<u>\$1,330,410</u>	<u>\$1,330,410</u>

<u>Fund Type</u>	<u>2007 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$398,000	\$284,100	\$113,900
Special Revenue	137,700	173,171	(35,471)
Capital Projects	107,000	61,152	45,848
Enterprise	1,405,000	529,633	875,367
Total	<u>\$2,047,700</u>	<u>\$1,048,056</u>	<u>\$999,644</u>

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$370,000	\$184,600	(\$185,400)
Special Revenue	96,100	150,455	54,355
Capital Projects		74,792	74,792
Enterprise	1,255,000	559,674	(695,326)
Total	<u>\$1,721,100</u>	<u>\$969,521</u>	<u>(\$751,579)</u>

<u>Fund Type</u>	<u>2006 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$398,000	\$168,889	\$229,111
Special Revenue	137,700	117,695	20,005
Capital Projects	1,117,058	423,025	694,033
Enterprise	1,405,000	710,321	694,679
Total	<u>\$3,057,758</u>	<u>\$1,419,930</u>	<u>\$1,637,828</u>

VILLAGE OF SOMERSET  
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

**4. BUDGETARY ACTIVITY** (continued)

Contrary to Ohio law, expenditures were greater than appropriations during 2007 in the Special Revenue Fund Type. Appropriations were greater than estimated resources in the General, Special Revenue, Capital Projects, and Enterprise Fund Types in 2007, and Capital Projects in 2006. Additionally, the Capital Projects Fund had negative cash balances in 2007 and 2006.

**5. RETIREMENT SYSTEM**

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

Contributions rates are also prescribed by the Ohio Revised Code. During 2007 and 2006 OPERS members contributed 9.5% and 9.0% of their gross salaries, respectively. The Village contributed an amount equal to 13.85% (2007) and 13.7% (2006) of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**6. RISK MANAGEMENT**

The Village of Somerset has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public officials liability;
- Law enforcement liability; and
- Vehicles

All employees of the Village are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Also, the Village did not reduce its insurance coverages significantly during the year.

**7. DEBT**

The Village had the following debt at December 31, 2007.

	<u>Principal</u>	<u>Interest Rate</u>
Sewer Mortgage Revenue Bonds, Series A	\$168,583	4.50%
Sewer Mortgage Revenue Bonds, Series B	894,008	4.50%
Ohio Water Development Authority Loan # 3311	177,122	2.00%
Ohio Water Development Authority Loan # 3891	31,702	1.50%
Ohio Water Development Authority Loan # 4028	1,531,385	2.00%
Ohio Public Works Commission Loan # CR528	23,128	0.00%
Ohio Public Works Commission Loan # CT59D	29,313	0.00%
General Obligation Loan - equipment	5,408	3.42%
Total	<u>\$2,860,649</u>	

VILLAGE OF SOMERSET  
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

7. **DEBT** (continued)

The following are principal and interest requirements of the above referred debt.

Year ending December 31:	Sewer Mortgage Revenue Bonds - A		
	Payment	Principal	Interest
2008	\$14,425	\$13,665	\$760
2009	14,425	7,454	6,971
2010	14,425	7,789	6,636
2011	14,425	8,140	6,285
2012	14,425	8,506	5,919
2013-2017	72,125	48,627	23,498
2018-2022	72,125	60,598	11,527
2023	14,425	13,804	621
Total	<u>\$230,800</u>	<u>\$168,583</u>	<u>\$62,217</u>

Year ending December 31:	Sewer Mortgage Revenue Bonds - B		
	Payment	Principal	Interest
2008	\$80,725	\$40,000	\$40,725
2009	80,925	42,000	38,925
2010	80,035	43,000	37,035
2011	80,925	45,825	35,100
2012	80,607	47,569	33,038
2013-2017	402,937	271,846	131,091
2018-2022	338,156	272,515	65,641
2023-2025	144,723	131,253	13,470
Total	<u>\$1,289,033</u>	<u>\$894,008</u>	<u>\$395,025</u>

Year ending December 31:	OWDA No. 3311		
	Payment	Principal	Interest
2008	\$11,766	\$8,265	\$3,501
2009	11,766	8,430	3,336
2010	11,766	8,601	3,165
2011	11,766	8,774	2,992
2012	11,767	8,949	2,818
2013-2017	58,831	47,518	11,313
2018-2022	58,831	52,491	6,340
2023-2025	35,298	34,094	1,204
Total	<u>\$211,791</u>	<u>\$177,122</u>	<u>\$34,669</u>

VILLAGE OF SOMERSET  
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

7. **DEBT** (continued)

Year ending December 31:	OWDA No. 3891		
	Payment	Principal	Interest
2008	\$1,478	\$1,007	\$471
2009	1,477	1,020	457
2010	1,477	1,036	441
2011	1,477	1,052	425
2012	1,478	1,068	410
2013-2017	7,387	5,583	1,804
2018-2022	7,376	6,006	1,370
2023-2025	7,387	6,484	903
2028-2032	7,390	6,985	405
2033	1,478	1,461	17
	<u>\$38,405</u>	<u>\$31,702</u>	<u>\$6,703</u>

Year ending December 31:	OWDA No. 4028		
	Payment	Principal	Interest
2008	\$36,683	\$21,540	\$15,143
2009	73,728	43,729	29,999
2010	73,728	44,608	29,120
2011	73,728	45,504	28,224
2012	73,728	46,419	27,309
2013-2017	368,640	246,471	122,169
2018-2022	368,640	272,257	96,383
2023-2025	368,640	300,740	67,900
2028-2032	368,635	331,200	37,435
2033-2035	184,319	178,917	5,402
	<u>\$1,990,469</u>	<u>\$1,531,385</u>	<u>\$459,084</u>

Year ending December 31:	OPWC No. CR528		
	Payment	Principal	Interest
2008	\$3,304	\$3,304	
2009	3,304	3,304	
2010	3,304	3,304	
2011	3,304	3,304	
2012	3,304	3,304	
2013-2015	6,608	6,608	
	<u>\$23,128</u>	<u>\$23,128</u>	

VILLAGE OF SOMERSET  
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

7. **DEBT** (continued)

Year ending	OPWC No. CT59D		
December 31:	Payment	Principal	Interest
2008	\$1,675	\$1,675	
2009	1,675	1,675	
2010	1,675	1,675	
2011	1,675	1,675	
2012	1,675	1,675	
2013-2017	8,375	8,375	
2018-2022	8,375	8,375	
2023-2025	4,188	4,188	
	\$29,313	\$29,313	

  

Year ending	General Obligation Note		
December 31:	Payment	Principal	Interest
2008	\$3,984	\$3,542	\$442
2009	1,328	1,243	85
2010	623	623	
	\$5,935	\$5,408	\$527

8. **CONTINGENT LIABILITIES**

Management believes there are no pending claims or lawsuits.

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# KNOX & KNOX

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Accountants and Consultants

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

Village of Somerset  
Perry County  
100 Public Square  
Somerset, Ohio 43783

To the Village Council:

We have audited the accompanying financial statements of the Village of Somerset, Perry County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated April 29, 2008, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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

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 internal control deficiencies that might be 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 noted other matters that we reported to the Village's management in a separate letter dated April 29, 2008.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic 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 two instances of noncompliance we must report under *Government Auditing Standards* which are reported in the accompanying schedule of audit findings as Findings 2007-01, 2007-02, 2007-03, and 2007-04.

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

*KNOX & KNOX*

Orrville, Ohio  
April 29, 2008



VILLAGE OF SOMERSET  
PERRY COUNTY  
SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED 2007 AND 2006

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

FINDING NUMBER 2007-01

Noncompliance Citation

Ohio Administrative Code Section 117 requires the Village to maintain an accounting system which adequately assembles, analyzes, classifies, records and reports its transactions.

1. There was an error in calculation for 2007 enterprise funds. Not all items were subtracted giving higher year end totals.
2. An error was made in calculation for 2007 disbursements. Special revenue totals given in reports were higher than actually totaled.

Client Response: None

FINDING NUMBER 2007-02

Noncompliance Citation

Section 5705.39 of the Ohio Revised Code sets out the total appropriations from each fund should not exceed the total estimated resources. No appropriation measure is to become effective until the county auditor files a certificate that the appropriations from each fund do not exceed the total official estimate or amended official certificate. Contrary to this requirements, all funds had appropriations which exceeded the estimated resources.

Prior to Council authorizing the original appropriations or approving any amendments we recommend Council compare proposed appropriations with the amounts reflected on the (Amended) Certificate of Estimated Resources to ensure that appropriations will not exceed the Village's estimated resources. Since appropriation measures do not become effective until the county auditor files a certificate that appropriations do not exceed estimated resources. Village management should not order any expenditure of money until the County Auditor certifies that appropriations do not exceed estimated resources for each Village fund.

Client Response: None

VILLAGE OF SOMERSET  
PERRY COUNTY  
  
SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED 2007 AND 2006  
(continued)

FINDING NUMBER 2007-03

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been properly appropriated.

Village expenditures exceeded appropriations in the following instance at December 31, 2007.

<u>Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Special Revenue	\$137,700	\$173,171	(\$35,471)

To avoid overspending we recommend that expenditures be limited to appropriations.

Client Response: None

FINDING NUMBER 2007-04

Noncompliance Citation

Ohio Revised Code Section 5705.10 requires that monies paid into any fund be used only for the purposes for which the fund was established. As a result, a negative cash fund balance is an indication that revenues from one fund were used to pay obligations of another fund.

The Village had negative fund cash balances in the Capital Projects Fund of \$54,856 and \$54,870 in 2007 and 2006, respectively.

We recommend that fund balances be monitored to ensure proper expenditure.

Client Response: None

VILLAGE OF SOMERSET  
PERRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED 2007 AND 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken; or Finding No Longer Valid: <b>Explain</b>
2005-SOM-03	ORC 5705.41 (B) Expenditures exceeded appropriations.	No	Not Corrected: repeated as finding 2007-03
2005-SOM-02	ORC 5705.39 Appropriations exceeded available resources	No	Not Corrected: repeated as finding 2007-02





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF SOMERSET**

**PERRY 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  
OCTOBER 9, 2008**