

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2009 - 2008**





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Somerset  
100 Public Square  
P. O. Box 10  
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, 2008 through December 31, 2009. 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

November 3, 2010

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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, 2009 and 2008. 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. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 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, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Somerset, Perry County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The 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 September 15, 2010, 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.

***Knox & Knox***

Orrville, Ohio  
September 15, 2010



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, 2009

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>CASH RECEIPTS:</b>				
Property Taxes and Other Local Taxes	\$72,586	\$97,698		\$170,284
Intergovernmental Receipts	57,637	65,575		123,212
Charges for Services	6,559			6,559
Fines, Licenses, and Permits	8,090	537		8,627
Earnings on Investments	18,865			18,865
Miscellaneous	31,629	726		32,355
<b>Total Cash Receipts</b>	<b>195,366</b>	<b>164,536</b>		<b>359,902</b>
<b>CASH DISBURSEMENTS:</b>				
Current:				
Security of Persons and Property		39,648		39,648
Transportation		46,201		46,201
General Government	107,839			107,839
Capital Outlay	30,340	4,234		34,574
<b>Total Cash Disbursements</b>	<b>138,179</b>	<b>90,083</b>		<b>228,262</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>57,187</b>	<b>74,453</b>		<b>131,640</b>
<b>Fund Cash Balances, January 1</b>	<b>296,774</b>	<b>129,978</b>	<b>\$15,524</b>	<b>442,276</b>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b>\$353,961</b>	<b>\$204,431</b>	<b>\$15,524</b>	<b>\$573,916</b>

*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, 2009

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>OPERATING CASH RECEIPTS:</b>			
Charges for Services	<u>\$508,560</u>	<u>                    </u>	<u>\$508,560</u>
Total Operating Cash Receipts	<u>508,560</u>	<u>                    </u>	<u>508,560</u>
<b>OPERATING CASH DISBURSEMENTS:</b>			
Personal Services	194,749		194,749
Transportation	6,010		6,010
Contractual Services	53,350		53,350
Supplies and Materials	58,515		58,515
Other	<u>127,766</u>	<u>                    </u>	<u>127,766</u>
Total Operating Cash Disbursements	<u>440,390</u>	<u>                    </u>	<u>440,390</u>
Operating Income/(Loss)	<u>68,170</u>	<u>                    </u>	<u>68,170</u>
<b>NON-OPERATING CASH DISBURSEMENTS:</b>			
Debt Service			
Redemption of Principal	(106,198)		(106,198)
Interest and Fiscal Charges	<u>(79,296)</u>	<u>                    </u>	<u>(79,296)</u>
Total Non-Operating Cash Disbursements	<u>(185,494)</u>	<u>                    </u>	<u>(185,494)</u>
Net Receipts Over/(Under) Disbursements	(117,324)		(117,324)
Fund Cash Balances, January 1	<u>665,298</u>	<u>\$272</u>	<u>665,570</u>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<u><u>\$547,974</u></u>	<u><u>\$272</u></u>	<u><u>\$548,246</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, 2008

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
<b>CASH RECEIPTS:</b>				
Property Taxes and Other Local Taxes	\$121,157	\$63,263		\$184,420
Intergovernmental Receipts		76,962	\$70,380	147,342
Fines, Licenses, and Permits	13,824			13,824
Earnings on Investments	19,305			19,305
Miscellaneous	18,347	1,158		19,505
<b>Total Cash Receipts</b>	<b>172,633</b>	<b>141,383</b>	<b>70,380</b>	<b>384,396</b>
<b>CASH DISBURSEMENTS:</b>				
Current:				
Security of Persons and Property	78,792	26,916		105,708
Leisure Time Activities	1,110			1,110
Transportation	294			294
General Government	135,730	89,252		224,982
Capital Outlay		955		955
<b>Total Cash Disbursements</b>	<b>215,926</b>	<b>117,123</b>		<b>333,049</b>
Total Receipts Over/(Under) Disbursements	(43,293)	24,260	70,380	51,347
Fund Cash Balances, January 1	340,067	105,718	(54,856)	390,929
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b>\$296,774</b>	<b>\$129,978</b>	<b>\$15,524</b>	<b>\$442,276</b>

*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, 2008

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>OPERATING CASH RECEIPTS:</b>			
Charges for Services	\$580,833		\$580,833
Miscellaneous	85,734		85,734
	<u>666,567</u>		<u>666,567</u>
<b>OPERATING CASH DISBURSEMENTS:</b>			
Personal Services	183,000		183,000
Transportation	8,233		8,233
Contractual Services	128,465		128,465
Supplies and Materials	103,267		103,267
Capital Outlay	190,585		190,585
Other			
	<u>613,550</u>		<u>613,550</u>
Operating Income/(Loss)	<u>53,017</u>		<u>53,017</u>
<b>NON-OPERATING CASH DISBURSEMENTS:</b>			
Debt Service			
Redemption of Principal	(99,394)		(99,394)
Interest and Fiscal Charges	(82,726)		(82,726)
	<u>(182,120)</u>		<u>(182,120)</u>
Net Receipts Over/(Under) Disbursements	(129,103)		(129,103)
Fund Cash Balances, January 1	<u>794,401</u>	<u>\$272</u>	<u>794,673</u>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<u><u>\$665,298</u></u>	<u><u>\$272</u></u>	<u><u>\$665,570</u></u>

*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, 2009 and 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Somerset, Perry County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, water and sewer utilities, park operations (leisure time activities), and police services.

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

B. **ACCOUNTING BASIS**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. **DEPOSITS AND INVESTMENTS**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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 Funds**

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

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

VILLAGE OF SOMERSET  
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

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

D. **FUND ACCOUNTING** (continued)

2. **Special Revenue Funds**

*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**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's 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, 2009 and 2008

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

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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

2. **Estimated Resources**

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

3. **Encumbrances**

The Ohio Revised Code requires the Village 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 2009 and 2008 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.

G. **ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave

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

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$750,618	\$749,884
Certificates of deposit	310,966	226,938
Other time deposits savings and NOW accounts	<u>60,578</u>	<u>131,024</u>
Total	<u>\$1,122,162</u>	<u>\$1,107,846</u>

VILLAGE OF SOMERSET  
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

**2. EQUITY IN POOLED CASH AND INVESTMENTS** (continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool; or collateralized by securities pledged specifically by the financial institution to the Village.

**3. BUDGETARY ACTIVITY**

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

<u>Fund Type</u>	<u>2009 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$305,215	\$195,366	(\$109,849)
Special Revenue	205,355	164,536	(40,819)
Debt Service	220,000		(220,000)
Capital Projects	80,000		(80,000)
Enterprise	750,000	508,560	(241,440)
Total	<u>\$1,560,570</u>	<u>\$868,462</u>	<u>(\$692,108)</u>

<u>Fund Type</u>	<u>2009 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$375,900	\$138,179	\$237,721
Special Revenue	158,400	90,083	68,317
Capital Projects	283,000		283,000
Enterprise	1,103,050	625,884	477,166
Total	<u>\$1,920,350</u>	<u>\$854,146</u>	<u>\$1,066,204</u>

<u>Fund Type</u>	<u>2008 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$307,300	\$172,633	(\$134,667)
Special Revenue	127,000	141,383	14,383
Capital Projects		70,380	70,380
Enterprise	660,000	666,567	6,567
Total	<u>\$1,094,300</u>	<u>\$1,050,963</u>	<u>(\$43,337)</u>

<u>Fund Type</u>	<u>2008 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$248,418	\$215,926	\$32,492
Special Revenue	143,618	117,123	26,495
Enterprise	1,226,595	795,670	430,925
Total	<u>\$1,618,631</u>	<u>\$1,128,719</u>	<u>\$489,912</u>



VILLAGE OF SOMERSET  
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

3. **BUDGETARY ACTIVITY** (continued)

Contrary to Ohio law, appropriations exceeded estimated resources in the Capital Project Fund by \$187,476 for the year ended December 31, 2009

4. **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 2008.

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.

5. **DEBT**

The Village had the following debt at December 31, 2009.

	<u>Principal</u>	<u>Interest Rate</u>
Sewer Mortgage Revenue Bonds, Series A	\$150,000	4.50%
Sewer Mortgage Revenue Bonds, Series B	830,077	4.50%
Ohio Water Development Authority Loan # 3311	156,148	2.00%
Ohio Water Development Authority Loan # 3891	29,159	1.50%
Ohio Water Development Authority Loan # 4028	1,444,906	2.00%
Ohio Public Works Commission Loan # CR528	18,172	0.00%
Ohio Public Works Commission Loan # CT59D	25,963	0.00%
General Obligation Loan - equipment	<u>632</u>	3.42%
Total	<u>\$2,655,057</u>	

The Sewer Mortgage Revenue Bonds (Series A & B) were issued in 1999 to fund the Sanitary Sewer System and will be redeemed in installments ending in 2023.

The Ohio Public Works Commission Loans (#CT59D and CR 528) were established in 2006 and are being repaid in semi-annual installments ending in 2025. The loans financed Water Treatment Plant improvements.

VILLAGE OF SOMERSET  
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

5. **DEBT** (continued)

The Ohio Development Authority (OWDA) loans relate to water plant rehabilitation and water line replacement projects. The Village will repay the loans in semiannual installments. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA service requirements

Year ending December 31:	Sewer Mortgage Revenue Bonds - A		
	Payment	Principal	Interest
2010	\$14,750	\$8,000	\$6,750
2011	14,390	8,000	6,390
2012	15,030	9,000	6,030
2013	14,625	9,000	5,625
2014	14,220	9,000	5,220
2015-2019	73,440	54,000	19,440
2020-2023	59,075	53,000	6,075
	<u>\$205,530</u>	<u>\$150,000</u>	<u>\$55,530</u>

Year ending December 31:	Sewer Mortgage Revenue Bonds - B		
	Payment	Principal	Interest
2010	\$80,035	\$43,000	\$37,035
2011	81,100	46,000	35,100
2012	80,030	47,000	33,030
2013	80,915	50,000	30,915
2014	80,665	52,000	28,665
2015-2019	402,110	296,000	106,110
2020-2023	322,210	296,077	26,133
Total	<u>\$1,127,065</u>	<u>\$830,077</u>	<u>\$396,988</u>

Year ending December 31:	OWDA No. 3311		
	Payment	Principal	Interest
2010	\$11,766	\$8,686	\$3,080
2011	11,766	8,861	2,905
2012	11,766	9,039	2,727
2013	11,766	9,221	2,545
2014	11,766	9,405	2,361
2015-2019	58,830	49,943	8,887
2020-2024	58,830	55,168	3,662
2025	5,883	5,825	58
Total	<u>\$182,373</u>	<u>\$156,148</u>	<u>\$26,225</u>

VILLAGE OF SOMERSET  
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

5. **DEBT** (continued)

Year ending December 31:	OWDA No. 3891		
	Payment	Principal	Interest
2010	\$1,477	\$1,043	\$434
2011	1,477	1,059	418
2012	1,477	1,075	402
2013	1,477	1,091	386
2014	1,477	1,108	369
2015-2019	7,385	5,794	1,591
2020-2024	7,385	6,243	1,142
2025-2029	7,385	6,728	657
2030-2033	5,170	5,018	152
Total	<u>\$34,710</u>	<u>\$29,159</u>	<u>\$5,551</u>

Year ending December 31:	OWDA No. 4028		
	Payment	Principal	Interest
2010	\$73,727	\$45,053	\$28,674
2011	73,727	45,959	27,768
2012	73,727	46,882	26,845
2013	73,727	47,825	25,902
2014	73,727	48,786	24,941
2015-2019	368,635	259,039	109,596
2020-2024	368,635	286,139	82,496
2025-2029	368,635	316,077	52,558
2030-2034	368,635	349,146	19,489
Total	<u>\$1,843,175</u>	<u>\$1,444,906</u>	<u>\$398,269</u>

Year ending December 31:	OPWC No. CR528		
	Payment	Principal	Interest
2010	\$3,304	\$3,304	
2011	3,304	3,304	
2012	3,304	3,304	
2013	3,304	3,304	
2014	3,304	3,304	
2014	1,652	1,652	
Total	<u>\$18,172</u>	<u>\$18,172</u>	

Year ending December 31:	OPWC No. CT59D		
	Payment	Principal	Interest
2010	\$1,675	\$1,675	
2011	1,675	1,675	
2012	1,675	1,675	
2013	1,675	1,675	
2014	1,675	1,675	
2015-2019	8,375	8,375	
2020-2024	8,375	8,375	
2025	838	838	
Total	<u>\$25,963</u>	<u>\$25,963</u>	

VILLAGE OF SOMERSET  
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

5. **DEBT** (continued)

Year ending December 31:	General Obligation Note		
	Payment	Principal	Interest
2010	\$632	\$632	
Total	\$632	\$632	\$0

6. **RETIREMENT SYSTEM**

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

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

7. **RISK MANAGEMENT**

Commercial Insurance

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.

8. **CONTINGENT LIABILITIES**

Management believes there are no pending claims or lawsuits.

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# KNOX & KNOX

Accountants and Consultants

## **INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 financial statements of the Village of Somerset, Perry County, (the Village) as of and for the year ended December 31, 2009 and 2008, and have issued our report thereon dated September 15, 2010. 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 noted the Village followed accounting practices the Auditor of State permits.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

Village of Somerset  
Perry County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the Government's management in a separate letter dated September 15, 2010.

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

*KNOX & KNOX*

Orrville, Ohio  
September 15, 2010

VILLAGE OF SOMERSET  
PERRY COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED 2009 AND 2008

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

FINDING NUMBER 2009-01

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, the Capital Projects Fund 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 PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED 2009 AND 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken; or Finding No Longer Valid: <b>Explain</b>
2007-01	ORC 117 Maintain proper reporting of transactions	No	No Longer Valid. Error was in prior year's transactions
2007-02	ORC 5705.39 Appropriations exceeded available resources	No	Not Corrected: repeated as finding 2009-01
2007-03	ORC 5705.41 (B) Expenditures exceeded appropriations.	Yes	Finding no longer valid
2007-04	ORC 5705.10 Negative balances in Capital Projects Fund	Yes	Finding no longer valid

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**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  
NOVEMBER 16, 2010