

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2021-2020**

**Wilson, Phillips & Agin, CPA's, Inc.  
1100 Brandywine Blvd. Building G  
Zanesville, Ohio 43701**



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

Village Council  
Village of Somerset  
100 Public Square  
P.O. Box 10  
Somerset, Ohio 43783

We have reviewed the *Independent Auditors' Report* of the Village of Somerset, Perry County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2020 through December 31, 2021. 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.

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.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

**July 21, 2022**

**This page intentionally left blank.**

**VILLAGE OF SOMERSET  
PERRY COUNTY  
FOR THE YEARS ENDED DECEMBER 31, 2021-2020**

**TABLE OF CONTENTS**

Table of Contents	( i )
2021 Independent Auditors' Report	1-3
Financial Statements	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2021	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2021	5
2021 Notes to the Financial Statements	6
2020 Independent Auditors' Report	15-16
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2020	17
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2020	18
2020 Notes to the Financial Statements	19
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards.	28
Schedule of Audit Findings	30
Schedule of Prior Audit Findings	34

**This page intentionally left blank.**

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Village of Somerset  
Perry County  
P.O. Box 10  
Somerset, Ohio 43783

To the Village Council:

**Report on the Audit of the Financial Statements**

**Unmodified and Adverse Opinions**

We have audited the financial statements of Village of Somerset, Perry County, Ohio (the Village) which comprises the cash balances, receipts and disbursements for each governmental fund type and proprietary fund type combined total as of and for the year ended December 31, 2021 and the related notes to the financial statements.

**Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type and proprietary fund type combined total as of and for the year ended December 31, 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Village of Somerset, Perry County as of December 31, 2021, or changes in financial position thereof for the year then ended.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards general accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor Responsibilities for the Audit of Financial Statements* section of our report. We are required to be independent of Village of Somerset, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 2 of the financial statements, the financial statements are prepared by Village of Somerset on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles general accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

### **Emphasis of Matter**

As described in Note 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. Our opinions are not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Village of Somerset's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion was expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2022, on our consideration of Village of Somerset'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. The purpose of that report is solely to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
May 2, 2022

**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, 2021**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Other Taxes	\$ 92,477	\$ 219,420	\$ -	\$ 311,897
Intergovernmental	62,099	191,461	400,830	654,390
Charges for Services	731	43,731	-	44,462
Fines, Licenses, Permits	10,870	5,270	-	16,140
Earnings on Investments	2,598	-	-	2,598
Miscellaneous	12,083	7,112	20,250	39,445
<b>Total Cash Receipts</b>	<u>180,858</u>	<u>466,994</u>	<u>421,080</u>	<u>1,068,932</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	-	175,051	-	175,051
Public Health	-	60,508	-	60,508
Leisure Time Activities	6,170	106,882	-	113,052
Community Environment	-	-	30,000	30,000
Transportation	-	111,482	-	111,482
General Government	186,089	-	-	186,089
Capital Outlay	-	-	384,157	384,157
Debt Service:				
Principal Retirement	10,587	6,045	-	16,632
Interest and Fiscal Charges	4,122	541	-	4,663
<b>Total Cash Disbursements</b>	<u>206,968</u>	<u>460,509</u>	<u>414,157</u>	<u>1,081,634</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	(26,110)	6,485	6,923	(12,702)
<b>Other Financing Receipts (Disbursements)</b>				
Other Financing Sources	10,249	-	-	10,249
<b>Total Other Financing Receipts (Disbursements)</b>	<u>10,249</u>	<u>-</u>	<u>-</u>	<u>10,249</u>
<b>Net Change in Fund Cash Balance</b>	(15,861)	6,485	6,923	(2,453)
<b>Fund Cash Balances, January 1, restated</b>	<u>42,117</u>	<u>315,508</u>	<u>25,252</u>	<u>382,877</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 26,256</u>	<u>\$ 321,993</u>	<u>\$ 32,175</u>	<u>\$ 380,424</u>

See notes to financial statements.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Enterprise
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 784,134
Miscellaneous	974
<b>Total Operating Cash Receipts:</b>	785,108
 <b>Operating Cash Disbursements:</b>	
Personal Services	207,654
Fringe Benefits	81,904
Contractual Services	131,570
Supplies and Materials	153,455
<b>Total Operating Cash Disbursements</b>	574,583
 <b>Operating Income</b>	 210,525
 <b>Non-Operating Receipts/(Disbursements)</b>	
Intergovernmental Revenue	13,190
Other Debt Proceeds	144,272
Capital Outlay	(144,272)
Principal Retirement	(183,869)
Interest and Other Fiscal Charges	(37,395)
<b>Total Non-Operating Receipts/(Disbursements)</b>	(208,074)
 <b>Net Change in Fund Cash Balance</b>	 2,451
 <b>Fund Cash Balances, January 1,</b>	 452,997
 <b>Fund Cash Balances, December 31</b>	 \$ 455,448

See notes to financial statements.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**1. REPORTING ENTITY**

**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, street maintenance, police protection, and water and sewer services for its citizens.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

**Governmental Funds**

**General Fund**

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

**Special Revenue Funds**

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

**Police Levy Fund** – This fund receives income tax money for providing police services.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**Capital Projects Funds**

These funds account for and report financial resources that are restricted, committed or assigned receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust fund to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

**Innovation Gateway Fund** – This fund receives grants for a new Builders Makerspace Technology Hub.

**Downtown Revitalization Fund** – This fund receives grants to redevelop out downtown Historic Area.

**Enterprise Funds**

These funds 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 loans and grants for the planning construction of a water distribution system as well as user fees from residents for the operation of the system.

**Sewer Fund** – This fund loans and grants for the planning construction of a wastewater collection system as well as user fees from residents for the operation of the system.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(C). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(C) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain Agency Funds) be budgeted annually.

**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. Appropriations lapse at year end.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**Estimated Resources**

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

**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 in the subsequent year.

A summary of 2021 budgetary activity appears in Note 4.

***Deposits and Investments***

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

***Property, Plant, and Equipment***

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

***Accumulated Leave***

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**Nonspendable** – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**Restricted** – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed** – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**Assigned** – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

**Unassigned** – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used.

**3. COMPLIANCE**

Contrary to Ohio Law, budgetary expenditures exceeded appropriation authority in the Streetscape ARC Fund by \$59,525 for the year ended December 31, 2021.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2021 is as follows:

<b>2021 Budgeted vs. Actual Receipts</b>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 163,100	\$ 191,107	\$ 28,007
Special Revenue	372,231	466,994	94,763
Capital Projects	360,000	421,080	61,080
Enterprise	810,209	942,570	132,361
Total	\$ 1,705,540	\$ 2,021,751	\$ 316,211

<b>2021 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 211,896	\$ 206,968	\$ 4,928
Special Revenue	591,500	460,509	130,991
Capital Projects	385,252	414,157	(28,905)
Enterprise	966,462	940,119	26,343
Total	\$ 2,155,110	\$ 2,021,753	\$ 133,357

Contrary to ORC 5705.41(D), the Village made expenditures prior to certification.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**5. DEPOSITS AND INVESTMENTS**

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposits and investment accounts are as follows:

	<u>2021</u>
<b><i>Cash Management Pool:</i></b>	
Demand Deposits	\$ 557,655
Certificates of Deposit	<u>278,217</u>
Total Carrying Amounts of Deposits and Investments held in Pool	<u>\$ 835,872</u>

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the Village is holding \$0 in unremitted employee payroll withholdings.

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**6. PROPERTY TAX**

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

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

**7. RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public Officials Liability
- Commercial Vehicles; and
- Law Enforcement Liability



**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**8. DEFINED BENEFIT PENSION PLAN**

*Ohio Public Employees Retirement System*

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

The Ohio Revised Code also prescribes contribution rates. For 2021, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant's gross salaries. The Village has paid all contributions required through December 31, 2021.

*Ohio Police and Fire Retirement*

The Village's certified Fire Fighters and full-time police officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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 rates. OP&F participants, in 2021, contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police officer's wages. The Village contributed to OP&F an amount equal to 24.0% of certified fire fighter wages. The Village has paid all contributions required through December 31, 2021.

*Social Security*

Some Village employees contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

**9. POSTEMPLOYMENT BENEFITS**

Both OPERS and OP&F offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021, OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**10. DEBT**

Debt outstanding at December 31, 2021 was as follows:

	2021 Principal	%
Sewer Mortgage Revenue Bond, Series A	\$ 28,000	4.50
Sewer Mortgage Revenue Bond, Series B	151,000	4.50
Ohio Water Development Authority Loan #3311	45,015	2.00
Ohio Water Development Authority Loan #3891	16,164	1.50
Ohio Water Development Authority Loan #4028	868,490	2.00
Ohio Water Development Authority Loan #5951	359,288	2.00
Ohio Water Development Authority Loan #7235	91,925	2.96
Ohio Water Development Authority Loan #7406	259,327	0.00
Ohio Water Development Authority Loan #8973	251,533	0.00
Ohio Public Works Commission Loan CT56Q	83,097	0.00
Ohio Public Works Commission Loan CT59D	6,700	0.00
Ohio Public Works Commission Loan CT40W	45,733	0.00
Peoples National Bank Loan - Land	11,143	4.25
Peoples National Bank Loan - Truck	22,589	3.75
Total	\$ 2,240,004	

The Sewer Mortgage Revenue Bonds were issued in 1998 to fund the Sanitary Sewer System and will be redeemed in installments ending in 2023.

The Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) loans relate to EPA mandated water and sewer construction projects. They are being repaid in semi-annual installments. The amortization of OWDA loan #7406 and #8973 have not been set, therefore no amortization table is available.

The Peoples National Bank Loan was issued in 2017 for \$30,000 and was used to purchase 3 acres of land within the Village. The Loan will be paid from the General Fund in monthly payments of \$226. It will be paid off in 2032. The loan is collateralized by the land.

The Peoples National Bank Loan was issued in 2018 for \$29,965 and was used to purchase a truck. The Loan will be paid from the Street Fund in monthly payments of \$548. It will be paid off in 2023. The loan is collateralized by the truck.

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

Year Ending December 31	Sewer Bond Series A	Sewer Bond Series B	OWDA #3311	OWDA #3891	OWDA #4028
2022	\$ 15,260	\$ 80,795	\$ 11,766	\$ 1,477	\$ 73,727
2023	14,630	80,465	11,766	1,477	73,727
2024	-	-	11,766	1,477	73,727
2025	-	-	11,766	1,477	73,727
2026	-	-	-	1,477	73,727
2027-2031	-	-	-	7,385	368,635
2032-2036	-	-	-	2,954	258,045
	\$ 29,890	\$ 161,260	\$ 47,064	\$ 17,724	\$ 995,315

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**10. DEBT (Continued)**

Year Ending December 31	OWDA #5951	OWDA #7235	OPWC #CT56Q	OPWC #CT59D	OPWC CT40W
2022	\$ 21,037	\$ 5,230	\$ 3,135	\$ 1,675	\$ 3,266
2023	21,037	5,230	3,136	1,675	3,266
2024	21,037	5,230	3,135	1,675	3,266
2025	21,037	5,230	3,136	1,675	3,266
2026	21,037	5,230	3,135	-	3,266
2027-2031	105,185	26,150	15,679	-	16,335
2032-2036	105,185	26,150	15,679	-	13,068
2037-2041	105,185	26,150	15,679	-	-
2042-2046	21,037	26,150	15,679	-	-
2047-2051	-	-	4,704	-	-
	<u>\$ 441,777</u>	<u>\$ 130,750</u>	<u>\$ 83,097</u>	<u>\$ 6,700</u>	<u>\$ 45,733</u>

Year Ending December 31	PNB Truck	PNB Lan Loan
2022	\$ 6,587	\$ 2,709
2023	4,940	2,709
2024	-	2,709
2025	-	2,709
2026	-	2,709
2027-2031	-	13,545
2032-2036	-	891
	<u>\$ 11,527</u>	<u>\$ 27,981</u>

**11. LINE OF CREDIT**

The Village has a line of credit with Commodore Bank to be used for drawdowns used on the Downtown Revitalization project prior to receiving grants. In 2021 they withdrew \$0 and paid back \$8,879 to leave a balance of \$12,071 as of December 31, 2021.

**12. FUND BALANCES**

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the expendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end, the balances of those amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Nonspendable:				
Corpus	\$ -	\$ -	\$ -	\$ -
Outstanding Encum.	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**12. FUND BALANCES (Continued)**

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**13. COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021, while the national state of emergency continues. During 2021, the Village did receive COVID-19 funding. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

The Village received \$76,206 in 2021 from the American Rescue Plan.

**14. RESTATEMENT OF FUND BALANCE**

Fund balance in the Special Revenue Fund has been restated for the year beginning January 1, 2021 for a voided check being added back:

	Special Revenue Fund
Fund Balance at December 31, 2020	\$ 315,487
Adjustments	21
Fund Balance at January 1, 2021	<u>\$ 315,508</u>

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Village of Somerset  
Perry County  
P.O. Box 10  
Somerset, Ohio 43783

To the Village Council:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type combined total as of and for the year ended December 31, 2020 and related notes of Village of Somerset, Perry County, Ohio.

**Management's Responsibility for the Financial Statements**

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

#### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Village of Somerset, Perry County as of December 31, 2020 and the respective changes in financial position or cash flows thereof for the year ended.

#### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type combined total as of and for the year ended December 31, 2020 and related notes of Village of Somerset, Perry County, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

#### **Emphasis of Matter**

As discussed in Note 13 to the 2020 financial statements, during 2020, the impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated May 2, 2022, on our consideration of Village of Somerset'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. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
May 2, 2022

**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, 2020**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Other Taxes	\$ 80,240	\$ 216,117	\$ -	\$ 296,357
Intergovernmental	52,391	228,302	172,091	452,784
Charges for Services	911	31,296	-	32,207
Fines, Licenses, Permits	11,428	5,098	-	16,526
Earnings on Investments	4,785	-	-	4,785
Miscellaneous	25,079	65,127	5,107	95,313
<b>Total Cash Receipts</b>	<u>174,834</u>	<u>545,940</u>	<u>177,198</u>	<u>897,972</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	-	127,972	-	127,972
Public Health	-	40,245	-	40,245
Leisure Time Activities	2,241	47,317	-	49,558
Community Environment	-	-	11,718	11,718
Transportation	-	84,047	-	84,047
General Government	144,788	2,415	-	147,203
Capital Outlay	-	23,800	208,109	231,909
Debt Service:				
Principal Retirement	10,984	5,823	10,396	27,203
Interest and Fiscal Charges	1,075	763	96	1,934
<b>Total Cash Disbursements</b>	<u>159,088</u>	<u>332,382</u>	<u>230,319</u>	<u>721,789</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	15,746	213,558	(53,121)	176,183
<b>Other Financing Receipts (Disbursements)</b>				
Transfer In	24,000	-	-	24,000
Other Debt Proceeds	-	-	10,396	10,396
Transfer Out	-	(24,000)	-	(24,000)
<b>Total Other Financing Receipts (Disbursements)</b>	<u>24,000</u>	<u>(24,000)</u>	<u>10,396</u>	<u>10,396</u>
<b>Net Change in Fund Cash Balance</b>	39,746	189,558	(42,725)	186,579
<b>Fund Cash Balances, January 1, restated</b>	<u>2,371</u>	<u>125,929</u>	<u>67,977</u>	<u>196,277</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 42,117</u>	<u>\$ 315,487</u>	<u>\$ 25,252</u>	<u>\$ 382,856</u>

See notes to financial statements.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Enterprise
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 793,796
Miscellaneous	39,814
<b>Total Operating Cash Receipts:</b>	833,610
<b>Operating Cash Disbursements:</b>	
Personal Services	196,078
Fringe Benefits	80,966
Contractual Services	184,498
Supplies and Materials	116,817
<b>Total Operating Cash Disbursements</b>	578,359
<b>Operating Income</b>	255,251
<b>Non-Operating Receipts/(Disbursements)</b>	
Intergovernmental Revenue	363,319
Other Debt Proceeds	193,246
Capital Outlay	(459,212)
Principal Retirement	(214,930)
Interest and Other Fiscal Charges	(46,741)
<b>Total Non-Operating Receipts/(Disbursements)</b>	(164,318)
<b>Net Change in Fund Cash Balance</b>	90,933
<b>Fund Cash Balances, January 1,</b>	362,064
<b>Fund Cash Balances, December 31</b>	\$ 452,997

See notes to financial statements.



**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**1. REPORTING ENTITY**

**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, street maintenance, police protection, and water and sewer services for its citizens.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

**Governmental Funds**

**General Fund**

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

**Special Revenue Funds**

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

**Police Levy Fund** – This fund receives income tax money for providing police services.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

**Capital Projects Funds**

These funds account for and report financial resources that are restricted, committed or assigned receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust fund to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

**Innovation Gateway Fund** – This fund receives grants for a new Builders Makerspace Technology Hub.

**Downtown Revitalization Fund** – This fund receives grants to redevelop out downtown Historic Area.

**Enterprise Funds**

These funds 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 loans and grants for the planning construction of a water distribution system as well as user fees from residents for the operation of the system.

**Sewer Fund** – This fund loans and grants for the planning construction of a wastewater collection system as well as user fees from residents for the operation of the system.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(C). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(C) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain Agency Funds) be budgeted annually.

**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. Appropriations lapse at year end.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

**Estimated Resources**

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

**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 in the subsequent year.

A summary of 2020 budgetary activity appears in Note 4.

***Deposits and Investments***

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

***Property, Plant, and Equipment***

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

***Accumulated Leave***

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**Nonspendable** – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**Restricted** – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed** – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

**Assigned** – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

**Unassigned** – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used.

**3. COMPLIANCE**

Contrary to Ohio Law, budgetary expenditures exceeded appropriation authority in the Sewer Operating Fund by \$7,918 for the year ended December 31, 2020.

Contrary to Ohio Law, appropriations exceeded estimated resources in the Permissive Sales Tax Fund, Streetscape ARC Fund, Downtown Revitalization Fund and water Operating Fund by \$21, 210, \$13,674, \$96,375 and \$48,698, respectively for the year ended December 31, 2020.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2020 is as follows:

<b>2020 Budgeted vs. Actual Receipts</b>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 170,020	\$ 198,834	\$ 28,814
Special Revenue	416,562	545,940	129,378
Capital Projects	290,252	187,594	(102,658)
Enterprise	1,414,719	1,390,175	(24,544)
Total	<u>\$ 2,291,553</u>	<u>\$ 2,322,543</u>	<u>\$ 30,990</u>

<b>2020 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 169,976	\$ 159,785	\$ 10,191
Special Revenue	471,040	358,807	112,233
Capital Projects	359,902	230,319	129,583
Enterprise	1,668,382	1,304,080	364,302
Total	<u>\$ 2,669,300</u>	<u>\$ 2,052,991</u>	<u>\$ 616,309</u>

Contrary to ORC 5705.41(D), the Village made expenditures prior to certification.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**5. DEPOSITS AND INVESTMENTS**

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposits and investment accounts are as follows:

	<u>2020</u>
<b><i>Cash Management Pool:</i></b>	
Demand Deposits	\$ 559,285
Certificates of Deposit	<u>276,568</u>
Total Carrying Amounts of Deposits and Investments held in Pool	<u><u>\$ 835,853</u></u>

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Village is holding \$0 in unremitted employee payroll withholdings.

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**6. PROPERTY TAX**

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

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

**7. RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public Officials Liability
- Commercial Vehicles; and
- Law Enforcement Liability

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**8. DEFINED BENEFIT PENSION PLAN**

*Ohio Public Employees Retirement System*

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

The Ohio Revised Code also prescribes contribution rates. For 2020, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant's gross salaries. The Village has paid all contributions required through December 31, 2020.

*Ohio Police and Fire Retirement*

The Village's certified Fire Fighters and full-time police officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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 rates. OP&F participants, in 2020, contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police officer's wages. The Village contributed to OP&F an amount equal to 24.0% of certified fire fighter wages. The Village has paid all contributions required through December 31, 2020.

*Social Security*

Some Village employees contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

**9. POSTEMPLOYMENT BENEFITS**

Both OPERS and OP&F offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020, OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**10. DEBT**

Debt outstanding at December 31, 2020 was as follows:

	2020 Principal	%
Sewer Mortgage Revenue Bond, Series A	\$ 40,000	4.50
Sewer Mortgage Revenue Bond, Series B	221,000	4.50
Ohio Water Development Authority Loan #3311	55,720	2.00
Ohio Water Development Authority Loan #3891	17,385	1.50
Ohio Water Development Authority Loan #4028	924,013	2.00
Ohio Water Development Authority Loan #5951	372,934	2.00
Ohio Water Development Authority Loan #7235	94,379	2.96
Ohio Water Development Authority Loan #7406	269,571	0.00
Ohio Water Development Authority Loan #8973	156,260	0.00
Ohio Public Works Commission Loan CT56Q	86,232	0.00
Ohio Public Works Commission Loan CT59D	8,375	0.00
Peoples National Bank Loan - Land	17,188	4.25
Peoples National Bank Loan - Truck	24,297	3.75
Total	\$ 2,287,354	

The Sewer Mortgage Revenue Bonds were issued in 1998 to fund the Sanitary Sewer System and will be redeemed in installments ending in 2023.

The Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) loans relate to EPA mandated water and sewer construction projects. They are being repaid in semi-annual installments. The amortization of OWDA loan #7406 and #8973 have not been set, therefore no amortization table is available.

The Peoples National Bank Loan was issued in 2017 for \$30,000 and was used to purchase 3 acres of land within the Village. The Loan will be paid from the General Fund in monthly payments of \$226. It will be paid off in 2032. The loan is collateralized by the land.

The Peoples National Bank Loan was issued in 2018 for \$29,965 and was used to purchase a truck. The Loan will be paid from the State Highway Fund in monthly payments of \$548. It will be paid off in 2023. The loan is collateralized by the truck.

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

Year Ending December 31	Sewer Bond Series A	Sewer Bond Series B	OWDA #3311	OWDA #3891	OWDA #4028
2021	\$ 13,800	\$ 79,945	\$ 11,766	\$ 1,477	\$ 73,727
2022	15,260	80,795	11,766	1,477	73,727
2023	14,630	80,465	11,766	1,477	73,727
2024	-	-	11,766	1,477	73,727
2025	-	-	11,766	1,477	73,727
2026-2030	-	-	-	7,385	368,635
2031-2035	-	-	-	4,431	331,772
	\$ 43,690	\$ 241,205	\$ 58,830	\$ 19,201	\$ 1,069,042

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**10. DEBT (Continued)**

Year Ending December 31	OWDA #5951	OWDA #7235	OPWC #CT56Q	OPWC #CT59D	PNB Land Loan
2021	\$ 21,037	\$ 5,230	\$ 3,135	\$ 1,675	\$ 2,709
2022	21,037	5,230	3,136	1,675	2,709
2023	21,037	5,230	3,135	1,675	2,709
2024	21,037	5,230	3,136	1,675	2,709
2025	21,037	5,230	3,135	1,675	2,709
2026-2030	105,185	26,150	15,679	-	13,545
2031-2035	105,185	26,150	15,679	-	3,600
2036-2040	105,185	26,150	15,679	-	-
2041-2045	42,074	26,150	15,679	-	-
2046-2050	-	5,230	7,839	-	-
	<u>\$ 462,814</u>	<u>\$ 135,980</u>	<u>\$ 86,232</u>	<u>\$ 8,375</u>	<u>\$ 30,690</u>

Year Ending December 31	PNB Truck
2021	\$ 6,587
2022	6,587
2023	4,940
	<u>\$ 18,114</u>

**11. LINE OF CREDIT**

The Village has a line of credit with Commodore Bank to be used for drawdowns used on the Downtown Revitalization project prior to receiving grants. In 2020 they withdrew \$10,396 and paid back \$19,746 to leave a balance of \$20,950 as of December 31, 2020.

**12. FUND BALANCES**

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the expendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end, the balances of those amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Nonspendable:				
Corpus	\$ -	\$ -	\$ -	\$ -
Outstanding Encum.	697	2,425	-	3,122
Total	<u>\$ 697</u>	<u>\$ 2,425</u>	<u>\$ -</u>	<u>\$ 3,122</u>



**VILLAGE OF SOMERSET  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**12. FUND BALANCES (Continued)**

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**13. COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received \$124,753 as an on-behalf grant from another government. These amounts are recorded in the Coronavirus Relief Special Revenue Fund.

**14. RESTATEMENT OF FUND BALANCE**

Fund balance in the General Fund has been restated for the year beginning January 1, 2020 for a check (#43230) that was voided then cash after being void:

	General Fund
Fund Balance at December 31, 2019	\$ 2,482
Adjustments	<u>(111)</u>
Fund Balance at January 1, 2020	<u><u>\$ 2,371</u></u>

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' 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  
P.O. Box 10  
Somerset, Ohio 43783

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements of the Village of Somerset, Perry County (the Village) and have issued our report thereon dated May 2, 2022, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Village.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Village of Somerset's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings as item 2021-002 that we consider to be a material weakness.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Village of Somerset's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2021-001, 2021-003 and 2021-004.

***Entity's Response to Finding***

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
May 2, 2022

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2021 AND 2020**

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

**FINDING NUMBER 2021-001**

**Noncompliance – Certification of Funds**

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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.

- 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 30 days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts less than \$3,000 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 the expenditures by the Village.
- Blanket Certificates. Fiscal officers may prepare “blanket” certificates if the Village has approved their use and established maximum amounts.
- Super Blanket Certificates. 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 reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called “super blanket” certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2021 AND 2020**

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

**FINDING NUMBER 2021-001 (Continued)**

The Village did not certify the availability of funds prior to the purchase commitment for 37% of expenditures tested. For these item the Village also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 code, to reduce available appropriations.

**Client Response:** The Village will try to use Blankets and Then and Now Certificates. All expenditures are assigned a purchase order.

**FINDING NUMBER 2021-002**

**Material Weakness – Financial Reporting**

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

The Village Officer's Handbook provides suggested accounts classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village did not properly post all receipts and expenditures. Errors were made in recording various transactions. Amounts were not always posted to the correct fund and/or line item. The following reclassifications and adjustments were made.

- In 2021, an adjustment was made in the amount of \$144,272 to increase Debt Proceeds and Capital Outlay for OWDA loan withdrawals in the Water Operating Fund.
- In 2021, a reclassification was made in the amount of \$4,037 to increase Principal Retirement and decrease Interest and Fiscal Charges in the Water Operating Fund.
- In 2021, a reclassification was made in the amount of \$8,879 to increase Principal Retirement and decrease Interest and Fiscal Charges in the General Fund.
- In 2020, a reclassification in the amount of \$7,474 was made to increase Intergovernmental Revenue and decrease Miscellaneous Revenue in the General Fund for grant money.
- In 2020, a reclassification was made in the amount of \$9,350 to increase Principal Retirement and decrease Interest and Fiscal Charges in the General Fund.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2021 AND 2020**

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

**FINDING NUMBER 2021-002 (Continued)**

- In 2020, a reclassification in the amount of \$59,685 was made to increase Miscellaneous Revenue and decrease Property and Other Taxes in the Parks and Recreation Fund for balance of monies received from Reading Township.
- In 2020, a reclassification was made in the amount of \$23,800 from Transportation to Capital Outlay in the Street Fund for equipment purchased.
- In 2020, a reclassification in the amount of \$8,896 was made to increase Debt Proceeds and decrease Miscellaneous Revenue in the Downtown Revitalization Fund for debt received.
- In 2020, a reclassification in the amount of \$66,994 was made to increase Intergovernmental Revenue and decrease Debt Proceeds in the Water Operating Fund to properly show debt received.
- In 2020, a reclassification in the amount of \$36,990 was made to increase Principal Retirement and decrease Capital Outlay in the Water Operating Fund.
- In 2020, minor reclassifications were made to Principal Retirement and Interest and Other Fiscal Charges in the Street Fund and Downtown Revitalization Fund to properly show debt paid.

The reclassifications with which the Village Official’s agree are reflected in the accompanying financial statements are posted to the accounting records.

We recommend the Village utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions.

**Client Response:** The Village will work diligently to not have same errors.

**FINDING NUMBER 2021-003**

**Noncompliance**

Ohio Revised Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources.

Fund	Year	Estimated Resources	Appropriations	Variance
Permissive	2020	\$ 59,790	\$ 81,000	\$ (21,210)
Streetscape ARC	2020	-	13,674	(13,674)
DT Revitalization	2020	108,027	204,402	(96,375)
Water Operating	2020	1,038,722	1,087,420	(48,698)

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative fund balances. The Village should regularly monitor appropriations and estimated resources to ensure that appropriations do not exceed the total estimated resources available for expenditure in each fund. This will help to reduce the risk of overspending within the Village and will add a measure of control over the Village’s budgetary process.

**Client Response:** We will monitor appropriations and estimated resources so that this does not happen again.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2021 AND 2020**

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

**FINDING NUMBER 2021-004**

**Noncompliance – Expenditures Exceeding Appropriations**

Ohio Revised Code Section 5705.41 (B) states no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had the following funds which had expenditures greater than appropriation authority.

		Appropriation			
Fund	Year	Authority		Expenditures	Variance
Streetscape ARC	2021	\$ -		\$ 59,525	\$ (59,525)
Sewer Operating	2020	243,801		251,719	(7,918)

We recommend Council review expenditures versus appropriation authority throughout the year. Also, Council should not approve expenditures greater than appropriations. This results in the Village spending more money than it appropriated and could cause possible negative fund balances.

**Client Response:** Proper action with Council will be taken to assure we are not spending more than is appropriated to avoid negative fund balances.

**VILLAGE OF SOMERSET  
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2021**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2019-001	Noncompliance OTC 5705.41(D) Certification of Funds	No	Not Corrected Repeated as Finding 2021-001
2019-002	Material Weakness Financial Reporting Reclassifications	No	Not Corrected Repeated as Finding 2021-002
2019-003	Noncompliance/Material Weakness ORC 5705.10(I) negative fund balance	Yes	Finding No Longer Valid
2019-004	Noncompliance ORC 5705.39 appropriations cannot exceed estimated revenue	No	Not Corrected Repeated as Finding 2021-003
2019-005	Noncompliance ORC 5705.41(D) expenditures cannot exceed appropriations	No	Not Corrected Repeated as Finding 2021-004



# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF SOMERSET**

**PERRY COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 8/2/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)