



Mary Taylor, CPA  
Auditor of State



VILLAGE OF SOMERVILLE  
BUTLER COUNTY

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**Mary Taylor, CPA**  
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 11, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Somerville, Butler County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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 Villages 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, 2006 and 2005 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, 2006, or its changes in financial position 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 the Village of Somerville, Butler County, as of December 31, 2006 and 2005, 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 February 11, 2008, 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.



**Mary Taylor, CPA**  
Auditor of State

February 11, 2008



**VILLAGE OF SOMERVILLE  
BUTLER COUNTY**

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

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$7,507	\$0	\$7,507
Intergovernmental	29,427	21,364	50,791
Charges for Services	0	2,500	2,500
Fines, Licenses and Permits	1,030	0	1,030
Earnings on Investments	99	274	373
Miscellaneous	3,071	0	3,071
Total Cash Receipts	41,134	24,138	65,272
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	8,776	9,280	18,056
Public Health Services	65	0	65
Leisure Time Activities	89	0	89
Transportation	0	15,265	15,265
General Government	26,654	0	26,654
Capital Outlay	0	5,361	5,361
Total Cash Disbursements	35,584	29,906	65,490
Total Receipts Over/(Under) Disbursements	5,550	(5,768)	(218)
<b>Other Financing Receipts:</b>			
Sale of Fixed Assets	0	2,501	2,501
Total Other Financing Receipts	0	2,501	2,501
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	5,550	(3,267)	2,283
Fund Cash Balances, January 1	(2,665)	25,697	23,032
<b>Fund Cash Balances, December 31</b>	<b>\$2,885</b>	<b>\$22,430</b>	<b>\$25,315</b>
Reserve for Encumbrances, December 31	\$1,473	\$1,984	\$3,457

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

**VILLAGE OF SOMERVILLE  
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$7,364	\$0	\$7,364
Intergovernmental	27,480	14,577	42,057
Charges for Services	0	2,217	2,217
Earnings on Investments	104	119	223
Miscellaneous	2,034	543	2,577
 Total Cash Receipts	 36,982	 17,456	 54,438
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	14,382	300	14,682
Public Health Services	33	0	33
Leisure Time Activities	2,291	0	2,291
Transportation	0	14,547	14,547
General Government	31,903	0	31,903
Capital Outlay	1,300	449	1,749
 Total Cash Disbursements	 49,909	 15,296	 65,205
 Total Receipts Over/(Under) Disbursements	 (12,927)	 2,160	 (10,767)
 Fund Cash Balances, January 1	 10,262	 23,537	 33,799
 <b>Fund Cash Balances, December 31</b>	 <b>(\$2,665)</b>	 <b>\$25,697</b>	 <b>\$23,032</b>
 Reserve for Encumbrances, December 31	 \$809	 \$1,979	 \$2,788

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

**VILLAGE OF SOMERVILLE  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Somerville, Butler County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, including fire protection and park operations.

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. Cash and Deposits**

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

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue 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 Fund:

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 SOMERVILLE  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**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. During 2005 and 2006, the Village Council sent their original appropriation measures to the County but failed to approve the 2005 original appropriations. The Village Council also failed to approve appropriation amendments that were put into the Village's computer system. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for items that should have been encumbered.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

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

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

**2. Equity in Pooled Cash and Deposits**

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

	<u>2006</u>	<u>2005</u>
Demand deposits	<u>\$25,315</u>	<u>\$23,032</u>

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

**VILLAGE OF SOMERVILLE  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 21, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,150	\$41,134	(\$4,016)
Special Revenue	25,126	26,639	1,513
Total	\$70,276	\$67,773	(\$2,503)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,069	\$37,057	\$9,012
Special Revenue	43,716	31,890	11,826
Total	\$89,785	\$68,947	\$20,838

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,000	\$36,982	(\$3,018)
Special Revenue	14,500	17,456	2,956
Total	\$54,500	\$54,438	(\$62)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$58,824	\$50,718	\$8,106
Special Revenue	35,696	17,275	18,421
Total	\$94,520	\$67,993	\$26,527

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The 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 pay semiannually, the 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 owners, who must file a list of such property to the County by each April 30.

**VILLAGE OF SOMERVILLE  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. Property Tax (Continued)**

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

**5. Retirement Systems**

Four Village 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 benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System (OPERS) have an option to choose Social Security. As of December 31, 2006, the remaining employees of the Village have elected Social Security. The employees' liability is 6.2 percent of wages paid. As of December 31, 2006 all payments have been made.

**6. Risk Management**

**Risk Pool Membership**

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

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

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Assets	\$2,331,284	\$ 2,241,661
Liabilities	<u>(3,130,475)</u>	<u>(3,457,720)</u>
Accumulated deficit	<u>(\$799,191)</u>	<u>(\$1,216,059)</u>

VILLAGE OF SOMERVILLE  
BUTLER COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)

**7. Noncompliance**

The Village did not retain certain records as required by Ohio law.

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# Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Somerville, Butler County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated February 11, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001, 2006-004, and 2006-006.

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

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated February 11, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated February 11, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

February 11, 2008

**VILLAGE OF SOMERVILLE  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Significant Deficiency / Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41(D)(1)**, prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify 12% of 2005 expenditures and 10% of 2006 expenditures. There was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2006-001  
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2006-002**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.38**, provides that an appropriation measure is to be passed on or about the first day of each fiscal year. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1 of the current year. The Village sent appropriations to the County Auditor for both 2005 and 2006 but only the 2005 appropriations were approved in the minutes by Village Council. Failure to properly monitor budgetary activity could result in overspending and ultimately negative fund balances. We recommend that the Village Council approve appropriations by the required date and before they are sent to the County Auditor for certification.

**FINDING NUMBER 2006-003**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.40**, provides in part that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The Village Council failed to approve appropriation amendments of \$2,025 in 2006 and \$8,231 in 2005 that were put into the UAN system. Failure to properly monitor budgetary activity could result in overspending and ultimately negative fund balances. We recommend that Council approve all appropriation amendments.

**FINDING NUMBER 2006-004**

**Significant Deficiency / Noncompliance Citation**

**Ohio Rev. Code, Section 149.351**, provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code Sections 149.38 to 149.42.

**FINDING NUMBER 2006-004  
(Continued)**

In addition, Ohio Rev. Code, Section 149.39, when the municipal records commission has approved any application for one-time disposal of obsolete records or any schedule of records retention and disposition, the commission shall send that application or schedule to the Ohio historical society for its review. The Ohio historical society shall review the application or schedule within a period of not more than sixty days after its receipt of it. Upon completion of its review, the Ohio historical society shall forward the application for one-time disposal of obsolete records or the schedule of records retention and disposition to the auditor of state for the auditor's approval or disapproval. The auditor shall approve or disapprove the application or schedule within a period of not more than sixty days after receipt of it. Before public records are to be disposed of, the commission shall inform the Ohio historical society of the disposal through the submission of a certificate of records disposal and shall give the society the opportunity for a period of fifteen business days to select for its custody those public records that it considers to be of continuing historical value.

The following records could not be located:

- 70 canceled checks in 2005.
- Original invoices for 54 non-payroll disbursements in 2005 and 10 in 2006 (support for all disbursements was obtained through alternative audit procedures).

The Village disposed of records without the authorization of the Village's records commission, the Auditor of State, and the Ohio Historical Society. We recommend that the Village maintain all records as required by law.

**FINDING NUMBER 2006-005**

**Noncompliance**

**Ohio Admin. Code, Section 117-2-02 (C)(1)**, provides that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Amounts per the Village's Certificate of Estimated Resources and their Annual Appropriation Ordinance (plus amendments approved by the Village Council) were not accurately reflected on the UAN accounting system. The receipts ledger facilitates the comparison of estimated to actual receipts within each fund and the expense ledger facilitates the comparison of estimated and actual expenditures for the year. Reporting incorrect estimated resources in the UAN system gives the Council an inaccurate view of budgeted financial statements. When appropriations recorded on the system exceed amounts approved by the Village Council, the Village is likely to spend more than they appropriated for the year. Therefore, we recommend that the Village make appropriate changes to the system to reflect the official documents approved by Council.

## FINDING NUMBER 2006-006

### Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Village lacked management oversight in processing payroll. This lack of oversight is illustrated by the following:

- During 2005, there was one pay period for which a timesheet could not be located for the Street Commissioner.
- During 2005, the street worker received one paycheck. A timesheet was located but it was not properly signed and approved.
- The Village created the position of Assistant Fire Chief during 2004. However, there was no evidence in the minutes of the creation of this position or the approval of the pay rate.
- Numerous cancelled checks could not be located as noted in Finding 2006-004. Checks were verified to the bank statements to ensure they cleared and to verify the amount they cleared the bank.
- Personnel files were not maintained for any employees.
- In 2005, three council members were overpaid (all under \$100) and two council members were underpaid. In 2006, two council members were overpaid (both under \$100) and two council members were underpaid.
- In 2005, six withholding transmittal forms could not be located. In 2006, three withholding transmittal forms could not be located.

The lack of proper management oversight could result in material misstatements, overpayments, or unauthorized payments. To improve recordkeeping and accountability of Village financial activity:

- All timesheets should be maintained and properly approved.
- Accurate minutes should be maintained or at least a listing of the meetings attended by each council member should be maintained to provide support for their pay.
- All cancelled checks should be maintained.
- Council should approve the establishment of all positions along with pay rates in the minutes.
- All employees and officials should complete all applicable withholding forms and other personnel information and have it maintained in individual personnel files.
- All withholding transmittal forms should be maintained for support.

### Officials' Response:

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF SOMERVILLE  
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Ohio Rev. Code 5705.41(D), certification of the availability of funds	No	Not Corrected – reissued as Finding 2006-001
2004-002	Ohio Rev. Code 5705.36, certifying the total amount available for expenditure	Yes	
2004-003	Ohio Rev. Code 5705.39, appropriations exceeded estimated resources	No	Partially Corrected – reissued in the Management Letter
2004-004	Ohio Rev. Code 5705.28, adoption of tax budget	Yes	
2004-005	Ohio Rev. Code 5705.38, approval of appropriations	No	Not Corrected – reissued as Finding 2006-002
2004-006	Ohio Rev. Code 5705.40, approval of supplemental appropriations	No	Not Corrected – reissued as Finding 2006-003
2004-007	Ohio Rev. Code 5705.41(B), (D), disbursements exceeding appropriations	No	Partially Corrected – reissued in the Management Letter
2004-008	Estimated resources and appropriations not accurately reflected on the accounting system	No	Not Corrected – reissued as Finding 2006-005







**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF SOMERVILLE**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 6, 2008**