

***VILLAGE OF SOMERSET
PERRY COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2015 & 2014





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Somerset, Perry County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

October 14, 2016

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**VILLAGE OF SOMERSET
PERRY COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2015 and 2014**

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INDEPENDENT AUDITOR'S REPORT

Village of Somerset
Perry County
100 Public Square
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 by fund type, and the related notes of the Village of Somerset, Perry County, Ohio (the Village), as of and for the years ended December 31, 2015 and 2014.

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(D) 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 opinions.

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

As described in Note 1 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, 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(D) permit. Our opinion on this accounting basis 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 the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Somerset, Perry County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2016, 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. 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.



Charles E. Harris & Associates, Inc.
August 1, 2016

**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, 2015**

	<u>Governmental Fund Types</u>			<u>Totals- (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Receipts:				
Property Taxes	\$ 75,766	\$ 93,194	\$ -	\$ 168,960
Intergovernmental	77,757	67,207	79,169	224,133
Charges for Services	6,992	-	-	6,992
Fines, Licenses and Permits	10,825	648	-	11,473
Earnings on Investments	3,591	-	-	3,591
Miscellaneous	33,712	2,211	-	35,923
Total Cash Receipts	208,643	163,260	79,169	451,072
Disbursements:				
Current:				
Security of Persons & Property	39,361	153,259	-	192,620
Leisure Time Activities	264	-	-	264
Community Environment	4,206	-	-	4,206
Transportation	-	74,394	-	74,394
General Government	209,466	3,230	-	212,696
Capital Outlay	-	-	76,350	76,350
Total Cash Disbursements	253,297	230,883	76,350	560,530
Total Receipts Over/(Under) Disbursements	(44,654)	(67,623)	2,819	(109,458)
Other Financing Receipts (Disbursements):				
Transfer in	-	55,639	-	55,639
Transfer out	(55,639)	-	-	(55,639)
Total Other Financing Receipts (Disbursements)	(55,639)	55,639	-	-
Net Change in Fund Cash Balances	(100,293)	(11,984)	2,819	(109,458)
Fund Cash Balances, January 1, 2015	209,460	125,964	93,430	428,854
Fund Cash Balances, December 31				
Restricted	-	113,980	96,249	210,229
Unassigned	109,167	-	-	195,171
Fund Cash Balances, December 31, 2015	\$ 109,167	\$ 113,980	\$ 96,249	\$ 319,396

See Accompanying Notes to the Financial Statements.

**VILLAGE OF SOMERSET
PERRY COUNTY
OMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGE
IN FUND CASH BALANCES -ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2015**

	Proprietary Fund Types Enterprise
Operating Receipts:	
Charges for Services	\$ 667,391
Miscellaneous	<u>2,001</u>
Total Operating Receipts	669,392
Operating Disbursements:	
Personal Services	170,856
Fringe Benefits	58,615
Contractual Services	169,430
Supplies and Materials	<u>124,642</u>
Total Operating Disbursements	<u>523,543</u>
Excess of Receipts Over/(Under) Disbursements	145,849
Non-Operating Receipts (Disbursements):	
Intergovernmental	84,282
Capital Outlay	(75,340)
Principal Retirement	(140,241)
Interest and Other Fiscal Charges	(67,200)
Sale of fixed assets	<u>300</u>
Total Non-Operating Receipts	<u>(198,199)</u>
Net Change in Fund Cash Balance	(52,350)
Fund Cash Balance, January 1, 2015	<u>169,364</u>
Fund Cash Balance, December 31, 2015	\$ <u><u>117,014</u></u>

See Accompanying Notes to the Financial Statements.

**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, 2014**

	<u>Governmental Fund Types</u>			<u>Totals- (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Receipts:				
Property Taxes	\$ 111,512	\$ 89,877	\$ -	\$ 201,389
Intergovernmental	37,490	58,440	226,697	322,627
Charges for Services	4,566	-	-	4,566
Fines, Licenses and Permits	7,868	105	-	7,973
Earnings on Investments	2,959	-	-	2,959
Miscellaneous	33,217	140	-	33,357
Total Cash Receipts	197,612	148,562	226,697	572,871
Disbursements:				
Current:				
Security of Persons & Property	14,257	168,961	-	183,218
Leisure Time Activities	1,841	-	-	1,841
Community Environment	18	-	-	18
Transportation	-	114,343	-	114,343
General Government	186,353	3	-	186,356
Capital Outlay	-	-	238,847	238,847
Total Cash Disbursements	202,469	283,307	238,847	724,623
Total Receipts Over/(Under) Disbursements	(4,857)	(134,745)	(12,150)	(151,752)
Other Financing Receipts (Disbursements):				
Transfer in	-	-	90,128	90,128
Transfer out	(90,128)	-	-	(90,128)
Total Other Financing Receipts (Disbursements)	(90,128)	-	90,128	-
Net Change in Fund Cash Balances	(94,985)	(134,745)	77,978	(151,752)
Fund Cash Balances, January 1, 2014	304,445	260,709	15,452	580,606
Fund Cash Balances, December 31				
Restricted	-	125,964	93,430	219,394
Assigned	7,304	-	-	7,304
Unassigned	202,156	-	-	202,156
Fund Cash Balances, December 31, 2014	\$ 209,460	\$ 125,964	\$ 93,430	\$ 428,854

See Accompanying Notes to the Financial Statements.

**VILLAGE OF SOMERSET
PERRY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES -ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
For the Year Ended December 31, 2014**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Types Agency</u>	<u>Totals- (Memorandum Only)</u>
Operating Receipts:			
Charges for Services	\$ 645,519	-	645,519
Fines, Licenses and Permits	652	-	652
Miscellaneous	99	-	99
Total Operating Receipts	646,270	-	646,270
Operating Disbursements:			
Personal Services	179,076	-	179,076
Fringe Benefits	71,700	-	71,700
Contractual Services	170,773	-	170,773
Supplies and Materials	96,451	-	96,451
Total Operating Disbursements	518,000	-	518,000
Excess of Receipts Over/(Under) Disbursements	128,270	-	128,270
Non-Operating Receipts (Disbursements):			
Debt Proceeds	12,006	-	12,006
Capital Outlay	(22,909)	-	(22,909)
Principal Retirement	(136,316)	-	(136,316)
Interest and Other Fiscal Charges	(72,522)	-	(72,522)
Fines and Forfeitures	-	3,884	3,884
Distribution of Fines and Forfeitures	-	(6,219)	(6,219)
Total Non-Operating Receipts (Disbursements)	(219,741)	(2,335)	(222,076)
Income (Loss) before Transfers	(91,471)	(2,335)	(93,806)
Transfers In	250,000	-	250,000
Transfer Out	(250,000)	-	(250,000)
Net Change in Fund Cash Balance	(91,471)	(2,335)	(93,806)
Fund Cash Balance, January 1, 2014	260,835	2,335	263,170
Fund Cash Balance, December 31, 2014	\$ 169,364	\$ -	\$ 169,364

See Accompanying Notes to the Financial Statements.

**VILLAGE OF SOMERSET
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Somerset, Perry County (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six member Council. The Village provides general governmental services, 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.

B. 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 Section 117-2-03(D). 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 Section 117-2-03(D) permit.

C. CASH

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

D. FUND ACCOUNTING

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

**VILLAGE OF SOMERSET
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village has the following significant Special Revenue funds:

- Street Construction Maintenance & Repair Fund- This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.
- Police Levy Fund- This fund receives money to provide police protection services.

Capital Projects Funds: These funds account for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant Capital Projects Fund:

- Streetscape Project Fund- This fund receives loans and grants for the improvement of the Village sidewalks and streets.

Proprietary Fund Types:

Enterprise Funds: To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

The Village has the following significant Enterprise Funds:

- Sewer Fund- This fund receives 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.

**VILLAGE OF SOMERSET
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

- Water Fund- This fund receives loans and grants for the planning construction of a water distribution system as well as user fees for the operation of the system.

Fiduciary Fund Types: These funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The Village's fiduciary funds include:

- Mayor's Court- This agency fund accounts for receipts and disbursements of the Mayor's Court. The Mayor's Court was closed in 2014.

E. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund be budgeted annually. A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

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. Appropriations lapse at year end.

2. Estimated Resources

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

A summary of 2015 and 2014 budgetary activity appears in Note 4.

**VILLAGE OF SOMERSET
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. 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.

1. Nonspendable- The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.
2. 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.
3. Committed- The Village Council can commit amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.
4. Assigned- Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restrict or committed. Governmental funds other than the 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 the Village Council.
5. Unassigned- Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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 (committed, assigned, and 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 classifications could be used.

G. PROPERTY, PLANT AND EQUIPMENT

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

**VILLAGE OF SOMERSET
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2015</u>	<u>2014</u>
Demand Deposits	\$175,688	\$327,856
Certificate of Deposit	<u>260,722</u>	<u>270,362</u>
Total	<u>\$436,410</u>	<u>\$598,218</u>

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

3. PROPERTY TAXES

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

**VILLAGE OF SOMERSET
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

<u>Fund:</u>	<u>2015 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 224,835	\$ 208,643	\$ (16,192)
Special Revenue Funds	180,828	218,899	38,071
Capital Projects Funds	69,000	79,169	10,169
Enterprise Funds	703,500	753,974	50,474

<u>Fund:</u>	<u>2015 Budgeted vs Actual Budgetary Basis Disbursements</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	
General Fund	\$ 349,830	\$ 308,936	\$ 40,894
Special Revenue Funds	279,908	230,883	49,025
Capital Projects Funds	70,409	76,350	(5,941)
Enterprise Funds	1,668,836	806,324	862,512

<u>Fund:</u>	<u>2014 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 182,128	\$ 197,612	\$ 15,484
Special Revenue Funds	191,160	148,562	(42,598)
Capital Projects Funds	1,267,650	316,825	(950,825)
Enterprise Funds	1,195,444	908,276	(287,168)

<u>Fund:</u>	<u>2014 Budgeted vs Actual Budgetary Basis Disbursements</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	
General Fund	\$ 270,515	\$ 299,901	\$ (29,386)
Special Revenue Funds	358,400	295,784	62,616
Capital Projects Funds	1,267,650	284,847	982,803
Enterprise Funds	1,192,286	1,035,507	156,779

The Village was in violation of ORC 5705.39, appropriations exceeded estimated resources and 5705.41 (B), expenditures exceeded appropriations.

**VILLAGE OF SOMERSET
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

5. RETIREMENT SYSTEM

The Village's police officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For January 1, 2014-June 30, 2014 OP&F participants contributed 10.75% of their wages. For July 1, 2014-June 30, 2015 participants contributed 10.75%. For July 1, 2015-December 31, 2015 participants contributed 12.25%. For 2014 and 2015, the Village contributed to OP&F an amount equal to 19.5 of full-time police members' wages. For 2014 and 2015, OPERS members contributed 10% of their gross wages while the Village contributed 14% of covered payroll. The Village has paid all contributions required through December 31, 2015.

6. 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
- Law Enforcement Liability

There have been no significant reductions in insurance coverage from the prior fiscal year and settled claims have not exceeded this commercial coverage in any of the last three years.

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

**VILLAGE OF SOMERSET
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

7. DEBT

Debt outstanding at December 31, 2015 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Sewer Mortgage Revenue Bond, Series A	\$ 97,000	4.50%
Sewer Mortgage Revenue Bond, Series B	531,000	4.50%
OWDA#3311	101,340	2.00%
OWDA#3891	22,658	1.50%
OWDA#4028	1,160,636	2.00%
OWDA#5951	429,169	2.00%
OPWC#CT59D	15,913	0.00%
OPWC#CT56Q	134,970	0.00%
	<u>\$ 2,492,686</u>	

The Sewer Mortgage Revenue Bonds were issued in 1999 to fund the Sanitary Sewer System and will be redeemed in installments ending in 2023.

The OWDA and OPWC loans relate to EPA mandated water and sewer construction projects. They are being repaid in semi-annual installments.

Principal and interest requirements for loans outstanding at December 31, 2015 is as follows:

<u>Year Ended</u>	Sewer Bonds Series A	Sewer Bonds Series B	OWDA #3311	OWDA #3891	OWDA #4028
2016	\$14,365	\$80,895	\$11,766	\$1,477	\$73,727
2017	14,915	80,330	11,766	1,477	73,727
2018	14,420	80,675	11,766	1,477	73,727
2019	14,925	79,885	11,766	1,477	73,727
2020	15,385	81,005	11,766	1,477	73,727
2021-2025	43,690	241,205	52,947	7,385	368,635
2026-2030	-	-	-	7,385	368,635
2031-2035	-	-	-	3,693	294,412
2036-2040	-	-	-	-	-
Total	<u>\$146,735</u>	<u>\$643,995</u>	<u>\$111,777</u>	<u>\$25,848</u>	<u>\$1,548,267</u>

**VILLAGE OF SOMERSET
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

7. DEBT – (Continued)

<u>Year Ended</u>	OPWC CT59D	OPWC CT56Q
2016	\$1,675	\$4,499
2017	1,675	4,499
2018	1,675	4,499
2019	1,675	4,499
2020	1,675	4,499
2021-2025	7,538	22,495
2026-2030	-	22,495
2031-2035	-	22,495
2036-2040	-	22,495
2041-2045	-	22,495
Total	\$15,913	\$134,970

The amortization schedule for OWDA#5951 has not been determined.

8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Somerset, Perry County (the Village), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated August 1, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Controls Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 described in the accompanying schedule of findings to be a material weakness.

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, opining 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 we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as findings 2015-002 and 003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
August 1, 2016

**VILLAGE OF SOMERSET
PERRY COUNTY, OHIO
SCHEDULE OF FINDINGS
For the Years Ended December 31, 2015 and 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2015--001 - Material Weakness

Although the Village utilizes the UAN system provided by the Auditor of State to record transactions and prepare cash basis financial statements, the Village does not have a process to review the output for errors. Accordingly, the financial statements contained the following misstatements during 2014 and 2015:

- The \$89,877 of real estate tax receipts which were to be credited to the police levy fund were erroneously credited to the general fund in 2014.
- In 2014, Mayor’s Court fines and distribution of fines of \$6,219 were not recorded in the agency fund.
- In 2014, police department expenses of \$97,787 were paid and recorded in the general fund rather than the police levy fund.
- In 2014, intergovernmental receipts in the amount of \$113,956 were credited to the general fund rather than the capital projects funds.

The financial statements and the Village’s records have been adjusted to properly reflect these transactions.

We recommend that the transactions be recorded in accordance with the classifications found in the *Ohio Village Officers’ Handbook* and other AOS guidance and that the Village implement additional internal control procedures to ensure the accuracy and completeness of transactions and the annual financial reports. The internal control procedures can include additional review of financial statements, revenue ledgers, and expenditures ledgers by an outside consultant with significant governmental accounting experience and/or using analytical reviews for comparison of current year to prior year numbers.

Management Response:

We did not receive a management response.

Finding Number 2015-002 - Noncompliance

Ohio Revised Code Section 5705.39 states, in part, that “... The total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure there from, as certified by the budget commission...” This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources. Contrary to this requirement, the following funds had total appropriations in excess of estimated resources plus carryover balances:

**VILLAGE OF SOMERSET
PERRY COUNTY, OHIO
SCHEDULE OF FINDINGS
For the Years Ended December 31, 2015 and 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS-(Continued)
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Finding Number 2015-002 - Noncompliance – (Continued)

2015

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Ent-Water Debt Service	\$104,660	\$112,547	\$(7,887)
Ent-Sewer Debt Service	305,462	403,495	(98,033)
Ent-Sewer Operating	218,730	943,670	(724,940)

Management Response:

We did not receive a management response.

Finding Number 2015-003 - Noncompliance

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. The following funds had total expenditures plus encumbrances expended money in excess of appropriations:

2014

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
General Fund	\$ 270,515	\$ 299,901	\$(29,386)
SR-SCMR	\$67,000	\$72,699	\$(5,699)
CP-Streetscape	\$-0-	\$194,719	\$(194,719)
Ent-Water Debt Svc	\$90,297	\$110,725	\$(20,428)
Ent-Sewer Debt Svc	\$90,000	\$98,112	\$(8,112)

2015

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
CP-Streetscape	\$66,279	\$76,350	\$(10,071)

**VILLAGE OF SOMERSET
PERRY COUNTY, OHIO
SCHEDULE OF FINDINGS
For the Years Ended December 31, 2015 and 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS-(Continued)
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Finding Number 2015-003- Noncompliance – (Continued)

We recommend Council and the Fiscal Officer compare expenditures to appropriations periodically. If additional appropriations are needed, then the Council and the Fiscal Officer should take the necessary steps to adopt supplemental appropriations, if possible to prevent expenditures from exceeding appropriations.

Management Response:

We did not receive a management response.

VILLAGE OF SOMERSET
PERRY COUNTY, OHIO
For the Years Ended December 31, 2015 and 2014

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2013-SOM-01	Material Weakness: Recording errors/Financial Statements Misstated	No	Repeated as 2015- 001
2013-SOM-02	Material Weakness: Investments not properly recorded/monitored	Yes	
2013-SOM-03	Noncompliance: Appropriations exceeded estimated resources	No	Repeated as 2015-002
2013-SOM-04	Noncompliance: Expenditures exceeded appropriations	No	Repeated as 2015-003
2013-SOM-05	Noncompliance/Material Weakness: A-133 audit not filed timely	N/A	Finding no longer valid



Dave Yost • Auditor of State

VILLAGE OF SOMERSET

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 10, 2016