

**VILLAGE OF SOMERSET
PERRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2023-2022

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



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

We have reviewed the *Independent Auditor's Report* of the Village of Somerset, Perry County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2022 through December 31, 2023. 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

February 20, 2025

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**VILLAGE OF SOMERSET
PERRY COUNTY
FOR THE YEARS ENDED DECEMBER 31, 2023-2022**

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**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 and proprietary fund type combined total as of and for the years ended December 31, 2023 and 2022, 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 combined total as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revise 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, 2023 and 2022, or changes in financial position thereof for the years 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 for 2022, 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 is 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 June 3, 2024, 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
June 3, 2024

**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, 2023**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Taxes	\$ 96,887	\$ 228,793	\$ -	\$ 325,680
Municipal Income Tax	175,423	-	-	175,423
Intergovernmental	45,538	109,175	243,961	398,674
Charges for Services	21,000	47,055	75	68,130
Fines, Licenses, Permits	11,241	2,972	-	14,213
Earnings on Investments	26,053	-	-	26,053
Miscellaneous	4,295	2,557	8,346	15,198
Total Cash Receipts	380,437	390,552	252,382	1,023,371
Cash Disbursements:				
Current:				
Security of Persons and Property	-	212,111	-	212,111
Public Health	-	4,340	-	4,340
Leisure Time Activities	4,000	101,334	-	105,334
Transportation	-	110,315	-	110,315
General Government	137,904	-	-	137,904
Capital Outlay	811,512	-	258,104	1,069,616
Debt Service:				
Principal Retirement	42,944	4,867	20,000	67,811
Interest and Fiscal Charges	19,402	75	-	19,477
Total Cash Disbursements	1,015,762	433,042	278,104	1,726,908
Excess of Receipts Over (Under) Disbursements	(635,325)	(42,490)	(25,722)	(703,537)
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	855,999	-	-	855,999
Total Other Financing Receipts (Disbursements)	855,999	-	-	855,999
Net Change in Fund Cash Balance	220,674	(42,490)	(25,722)	152,462
Fund Cash Balances, January 1	22,845	362,791	4,717	390,353
Fund Cash Balances, December 31	\$ 243,519	\$ 320,301	\$ (21,005)	\$ 542,815

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, 2023**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 860,160
Miscellaneous	79
Total Operating Cash Receipts:	<hr/> 860,239
Operating Cash Disbursements:	
Personal Services	238,244
Fringe Benefits	59,831
Contractual Services	282,627
Supplies and Materials	209,762
Total Operating Cash Disbursements	<hr/> 790,464
Operating Income	69,775
Non-Operating Receipts/(Disbursements)	
Other Debt Proceeds	121,645
Principal Retirement	(196,545)
Interest and Other Fiscal Charges	(30,355)
Total Non-Operating Receipts/(Disbursements)	<hr/> (105,255)
Net Change in Fund Cash Balance	(35,480)
Fund Cash Balances, January 1,	<hr/> 535,552
Fund Cash Balances, December 31	<hr/> \$ 500,072

See notes to financial statements.

**VILLAGE OF SOMERSET
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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, 2023**

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, 2023**

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 2023 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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonspendable portion of the corpus in permanent funds.

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, 2023**

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

3. COMPLIANCE

Contrary to Ohio Law, expenditures exceeded appropriations in the General Fund by \$733,194 and in the Water Debt Service Fund by \$152 for the year ended December 31, 2023.

4. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2023 is as follows:

2023 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 432,350	\$ 1,236,436	\$ 804,086
Special Revenue	491,401	390,552	(100,849)
Capital Projects	3,937,331	252,382	(3,684,949)
Enterprise	841,005	981,884	140,879
Total	<u>\$ 5,702,087</u>	<u>\$ 2,861,254</u>	<u>\$ (2,840,833)</u>

2023 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 282,568	\$ 1,015,762	\$ (733,194)
Special Revenue	576,814	433,042	143,772
Capital Projects	328,659	278,104	50,555
Enterprise	1,149,964	1,017,364	132,600
Total	<u>\$ 2,338,005</u>	<u>\$ 2,744,272</u>	<u>\$ (406,267)</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, 2023**

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>2023</u>
<i>Cash Management Pool:</i>	
Demand Deposits	\$ 762,253
Certificates of Deposit	<u>280,634</u>
Total Carrying Amounts of Deposits and Investments held in Pool	<u><u>\$ 1,042,887</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, 2023, 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, 2023**

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 2023, 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, 2023.

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 2023, 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, 2023.

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, 2023.

9. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. OP&F uses a stipend-based health care model. A stipend funded by OP&F is placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses. For calendar year 2023, the portion of OPERS employer contributions allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan. For 2023, the portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent; however, a portion of the health care rate was funded with reserves. OP&F contributes 0.5 percent to fund these benefits.

**VILLAGE OF SOMERSET
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

10. DEBT

Debt outstanding at December 31, 2023 was as follows:

	2023 Principal	% _____
Appalachian Capital Growth Loan Land Purchase	\$ 83,915	2.00
Commodore Bank Note for Land Purchase	731,000	5.63
Ohio Development Agency (ODSA) 1004-01-01	135,000	0.00
Ohio Water Development Authority Loan #3311	22,956	2.00
Ohio Water Development Authority Loan #3891	13,667	1.50
Ohio Water Development Authority Loan #4028	754,073	2.00
Ohio Water Development Authority Loan #5951	331,168	2.00
Ohio Water Development Authority Loan #7235	86,795	2.96
Ohio Water Development Authority Loan #7406	243,961	0.00
Ohio Water Development Authority Loan #8973	272,782	0.00
Ohio Water Development Authority Loan #10131	121,645	1.75
Ohio Public Works Commission Loan CT56Q	78,393	0.00
Ohio Public Works Commission Loan CT59D	4,187	0.00
Ohio Public Works Commission Loan CT40W	40,833	0.00
Peoples National Bank Loan - Truck	18,948	3.75
Total	\$ 2,939,323	

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 #10131 has 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 Ohio Development Service Agency (ODSA) loan was issued in 2020 and was used in the Somerset Builders Club. The loan was for \$200,000. Loan payments are paid quarterly in the amount of \$5,000 from the Builders Club Fund. The loan was not included on the 2021 audit report and the balance at January 1, 2022 was \$170,000.

The Commodore Bank note was issued in 2023 for \$731,000 to purchase property to expand the park, other recreational activities and a housing development. It is an interest only note and collateralized by the land.

The Appalachian Growth Capital Loan was issued in 2023 for \$125,000 to purchase property to expand the park, other recreational activities and a housing development. The loan is collateralized by the land with monthly payments of \$5,317.

**VILLAGE OF SOMERSET
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

10. DEBT (Continued)

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

Year Ending December 31	PNB Land Loan	Appalachia Growth	OWDA #3311	OWDA #3891	OWDA #4028
2024	\$ 2,709	\$ 63,811	\$ 11,766	\$ 1,477	\$ 73,727
2025	2,709	21,299	11,766	1,477	73,727
2026	2,709	-	-	1,477	73,727
2027	2,709	-	-	1,477	73,727
2028	2,709	-	-	1,477	73,727
2029-2033	9,018	-	-	7,385	368,635
2034-2038	-	-	-	-	110,591
	<u>\$ 22,563</u>	<u>\$ 85,110</u>	<u>\$ 23,532</u>	<u>\$ 14,770</u>	<u>\$ 847,861</u>

Year Ending December 31	OWDA #5951	OWDA #7235	OWDA #7406	OWDA #8973	OPWC #CT56Q
2024	\$ 21,037	\$ 5,230	\$ 4,502	\$ 9,406	\$ 4,704
2025	21,037	5,230	9,004	9,406	3,135
2026	21,037	5,230	9,004	9,406	3,136
2027	21,037	5,230	9,004	9,406	3,135
2028	21,037	5,230	9,004	9,406	3,136
2029-2033	105,185	26,150	45,020	47,030	15,679
2034-2038	105,185	26,150	45,020	47,030	15,679
2039-2043	84,148	26,150	45,020	47,030	15,679
2044-2048	-	15,690	45,020	47,030	14,110
2049-2053	-	-	23,363	37,632	-
	<u>\$ 399,703</u>	<u>\$ 120,290</u>	<u>\$ 243,961</u>	<u>\$ 272,782</u>	<u>\$ 78,393</u>

Year Ending December 31	OPWC #CT59D	OPWC #CT40W	ODSA 1004-01
2024	\$ 2,512	\$ 4,899	\$ 20,000
2025	1,675	3,266	20,000
2026	-	3,266	20,000
2027	-	3,266	20,000
2028	-	3,266	20,000
2029-2033	-	16,335	35,000
2034-2038	-	6,535	-
	<u>\$ 4,187</u>	<u>\$ 40,833</u>	<u>\$ 135,000</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 2023 they withdrew \$0 and paid back \$0 to leave a balance of \$0 as of December 31, 2023.

**VILLAGE OF SOMERSET
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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>

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 INCOME TAX

Village Council voted and approved a 1% income tax in December 2022 to be in effect January 1, 2023. The Village contracted with City of Cleveland Division of Taxation (CCA) to implement and collect taxes for the Village. The tax is assessed against earned income for those working in the Village and Village residents.

**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, 2022**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Taxes	\$ 96,901	\$ 229,320	\$ -	\$ 326,221
Intergovernmental	42,815	195,990	102,063	340,868
Charges for Services	86	43,210	-	43,296
Fines, Licenses, Permits	11,601	1,635	-	13,236
Earnings on Investments	8,399	-	-	8,399
Miscellaneous	4,161	1,056	10,030	15,247
Total Cash Receipts	163,963	471,211	112,093	747,267
Cash Disbursements:				
Current:				
Security of Persons and Property	-	155,609	-	155,609
Public Health	-	69,538	-	69,538
Leisure Time Activities	3,000	76,410	-	79,410
Transportation	-	122,374	-	122,374
General Government	149,524	-	-	149,524
Capital Outlay	-	400	124,551	124,951
Debt Service:				
Principal Retirement	13,853	6,276	15,000	35,129
Interest and Fiscal Charges	997	311	-	1,308
Total Cash Disbursements	167,374	430,918	139,551	737,843
Net Change in Fund Cash Balance	(3,411)	40,293	(27,458)	9,424
Fund Cash Balances, January 1, restated	26,256	322,498	32,175	380,929
Fund Cash Balances, December 31	\$ 22,845	\$ 362,791	\$ 4,717	\$ 390,353

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, 2022**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 813,928
Miscellaneous	534
Total Operating Cash Receipts:	<u>814,462</u>
Operating Cash Disbursements:	
Personal Services	219,383
Fringe Benefits	64,143
Contractual Services	127,105
Supplies and Materials	159,816
Total Operating Cash Disbursements	<u>570,447</u>
Operating Income	244,015
Non-Operating Receipts/(Disbursements)	
Other Debt Proceeds	30,655
Capital Outlay	(120,956)
Principal Retirement	(191,567)
Interest and Other Fiscal Charges	(40,084)
Total Non-Operating Receipts/(Disbursements)	<u>(321,952)</u>
Extraordinanry Item	158,041
Net Change in Fund Cash Balance	80,104
Fund Cash Balances, January 1,	<u>455,448</u>
Fund Cash Balances, December 31	<u><u>\$ 535,552</u></u>

See notes to financial statements.

**VILLAGE OF SOMERSET
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022**

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, 2022**

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 2022 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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonspendable portion of the corpus in permanent funds.

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, 2022**

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

3. COMPLIANCE

Contrary to Ohio Law, appropriations exceeded estimated resources in the Sewer Operating Fund by \$131,047 for the year ended December 31, 2022.

4. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2022 is as follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 163,045	\$ 163,963	\$ 918
Special Revenue	398,700	471,211	72,511
Capital Projects	965,165	112,093	(853,072)
Enterprise	968,845	1,003,158	34,313
Total	\$ 2,495,755	\$ 1,750,425	\$ (745,330)

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 175,761	\$ 167,374	\$ 8,387
Special Revenue	523,221	430,918	92,303
Capital Projects	984,768	139,551	845,217
Enterprise	1,271,646	923,051	348,595
Total	\$ 2,955,396	\$ 1,660,894	\$ 1,294,502

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, 2022**

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>2022</u>
<i>Cash Management Pool:</i>	
Demand Deposits	\$ 646,300
Certificates of Deposit	<u>279,605</u>
Total Carrying Amounts of Deposits and Investments held in Pool	<u><u>\$ 925,905</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, 2022, 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, 2022**

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 2022, 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, 2022.

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 2022, 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, 2022.

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, 2022.

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 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2022, 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, 2022**

9. POSTEMPLOYMENT BENEFITS (Continued)

Effective January 1, 2022, OPERS discontinued the group plan currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

10. DEBT

Debt outstanding at December 31, 2022 was as follows:

	2022	
	Principal	%
Sewer Mortgage Revenue Bond, Series A	\$ 14,000	4.50
Sewer Mortgage Revenue Bond, Series B	77,000	4.50
Ohio Development Agency (ODSA) 1004-01-01	155,000	0.00
Ohio Water Development Authority Loan #3311	34,095	2.00
Ohio Water Development Authority Loan #3891	14,925	1.50
Ohio Water Development Authority Loan #4028	811,851	2.00
Ohio Water Development Authority Loan #5951	345,368	2.00
Ohio Water Development Authority Loan #7235	89,398	2.96
Ohio Water Development Authority Loan #7406	249,083	0.00
Ohio Water Development Authority Loan #8973	282,188	0.00
Ohio Public Works Commission Loan CT56Q	79,961	0.00
Ohio Public Works Commission Loan CT59D	5,025	0.00
Ohio Public Works Commission Loan CT40W	42,466	0.00
Peoples National Bank Loan - Land	4,867	4.25
Peoples National Bank Loan - Truck	20,807	3.75
Total	<u>\$ 2,226,034</u>	

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.

The Ohio Development Service Agency (ODSA) loan was issued in 2020 and was used in the Somerset Builders Club. The loan was for \$200,000. Loan payments are paid quarterly in the amount of \$5,000 from the Builders Club Fund. The loan was not included on the 2021 audit report and the balance at January 1, 2022 was \$170,000.

**VILLAGE OF SOMERSET
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

10. DEBT (Continued)

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
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	-	-	-	1,477	73,727
2028-2032	-	-	-	7,385	368,635
2033-2037	-	-	-	1,477	184,318
	<u>\$ 14,630</u>	<u>\$ 80,465</u>	<u>\$ 35,298</u>	<u>\$ 16,247</u>	<u>\$ 921,588</u>

Year Ending December 31	OWDA #5951	OWDA #7235	OPWC #CT56Q	OPWC #CT59D	OPWC CT40W
2023	\$ 21,037	\$ 5,230	\$ 3,135	\$ 1,675	\$ 3,266
2024	21,037	5,230	3,136	1,675	3,266
2025	21,037	5,230	3,135	1,675	3,266
2026	21,037	5,230	3,136	-	3,266
2027	21,037	5,230	3,135	-	3,266
2028-2032	105,185	26,150	15,679	-	16,335
2033-2037	105,185	26,150	15,679	-	9,801
2038-2042	105,185	26,150	15,679	-	-
2043-2047	-	20,920	15,679	-	-
2048-2052	-	-	1,568	-	-
	<u>\$ 420,740</u>	<u>\$ 125,520</u>	<u>\$ 79,961</u>	<u>\$ 5,025</u>	<u>\$ 42,466</u>

Year Ending December 31	PNB Truck	PNB Land Loan	ODSA 1004-01
2023	\$ 4,940	\$ 2,709	\$ 20,000
2024	-	2,709	20,000
2025	-	2,709	20,000
2026	-	2,709	20,000
2027	-	2,709	20,000
2028-2032	-	11,727	55,000
	<u>\$ 4,940</u>	<u>\$ 25,272</u>	<u>\$ 155,000</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 2022 they withdrew \$0 and paid back \$12,071 to leave a balance of \$0 as of December 31, 2022.

**VILLAGE OF SOMERSET
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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>

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 2022, 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 \$77,615 in 2022 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, 2022 for a voided check being added back:

	Special Revenue Fund
Fund Balance at December 31, 2021	\$ 321,993
Adjustments	505
Fund Balance at January 1, 2022	<u>\$ 322,498</u>

15. EXTRAORDINARY ITEM

In 2022 the Village received insurance proceeds from a fire.

**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
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 the cash balances, receipts, and disbursements for each governmental fund and proprietary fund type combined total as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements of Village of Somerset, Perry County (the Village) and have issued our report thereon dated June 3, 2024, 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 certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2023-002 and 2023-005 that we consider to be material weaknesses.

Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page Two

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 2023-001, 2023-003 and 2023-004.

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
June 3, 2024

**VILLAGE OF SOMERSET
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2023 AND 2022**

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

FINDING NUMBER 2023-001

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.

The Village did not certify the availability of funds prior to the purchase commitment for 29% 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.

**VILLAGE OF SOMERSET
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2023 AND 2022**

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

FINDING NUMBER 2023-001 (Continued)

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 2023-002

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 2023, a reclassification was made in the amount of \$124,999 to increase Debt Proceeds and decrease Other Financing Sources for the Appalachia Growth Capital Loan in the General File.
- In 2023, a reclassification was made in the amount of \$80,512 to increase Capital Outlay and decrease Interest and Fiscal Charges for land purchased in the General Fund.
- In 2023, an adjustment was made in the amount of \$731,000 to Increase Other Debt Proceeds and Capital Outlay for land purchased with note from Commodore Bank in the General Fund.
- In 2023, a reclassification in the amount of \$41,085 was made to increase Principal Retirement and decrease Interest and Fiscal Charges in the General Fund for Appalachia Growth Capital Loan payments.
- In 2023, a reclassification was made in the amount of \$20,000 to increase Principal Retirement and decrease Interest and Fiscal Charges in the Builders Club Fund.
- In 2023, a reclassification in the amount of \$121,645 was made to increase Other Debt Proceeds and decrease Miscellaneous Operating Revenue in the Water Operating Fund for debt proceeds.

**VILLAGE OF SOMERSET
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2023 AND 2022**

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

FINDING NUMBER 2023-002 (Continued)

- In 2022, a reclassification in the amount of \$4,664 was made to increase Intergovernmental Revenue and decrease Miscellaneous Revenue in the Parks and Recreation Fund for a state grant.
- In 2022, a reclassification was made in the amount of \$12,071 from Interest and Fiscal Charges to Principal Retirement in the General Fund for payment of the line of credit.
- In 2022, a reclassification in the amount of \$30,655 was made to increase Debt Proceeds and decrease Intergovernmental Revenue in the Water Operating Fund for debt received.
- In 2022, a reclassification in the amount of \$3,194 was made to increase Interest and Fiscal Charges and decrease Principal Retirement in the Water Debt Service 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 2023-003

Noncompliance

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

			Estimated			
Fund		Year	Resources	Appropriations		Variance
Sewer Operating		2022	\$ 462,850	\$ 593,897		\$ (131,047)

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, 2023 AND 2022**

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

FINDING NUMBER 2023-004

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
General Fund	2023		\$ 282,568	\$ 1,015,762		\$ (733,194)
Water Debt Service	2023		124,854	125,006		(152)

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.

FINDING NUMBER 2023-005

Material Weakness

Sound accounting practices require accurately posting estimated receipts to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The original certificate and amendments established the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

At December 31, 2023, estimated receipts in the Village's ledgers did not agree to the amounts approved by the Budget Commission for the following funds:

		Estimated Receipts		Estimated Receipts	
		Approved by the		Per Township's	
Fund	Year	Budget Commission		Accounting System	Variance
Sewer Debt	2023	\$ 26,400		\$ 72,000	\$ (45,600)
Sewer Operating	2022	406,941		564,982	(158,041)

Client Response: Proper action with Council will be taken to assure we are viewing the most accurate information.

VILLAGE OF SOMERSET
PERRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2023

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2021-001	Noncompliance OTC 5705.41(D) Certification of Funds	No	Not Corrected Repeated as Finding 2023-001
2021-002	Material Weakness Financial Reporting Reclassifications	No	Not Corrected Repeated as Finding 2023-002
2021-003	Noncompliance ORC 5705.39 appropriations cannot exceed estimated revenue	No	Not Corrected Repeated as Finding 2023-003
2021-004	Noncompliance ORC 5705.41(D) expenditures cannot exceed appropriations	No	Not Corrected Repeated as Finding 2023-004

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 3/4/2025

65 East State 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