

Village of South Bloomfield
Pickaway County, Ohio

Regular Audit

January 1, 2006, through December 31, 2007



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA

Auditor of State

Members of Village Council
Village of South Bloomfield
5023 South Union Street
South Bloomfield, Ohio 43103

We have reviewed the *Independent Auditor's Report* of the Village of South Bloomfield, Pickaway County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of South Bloomfield is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 7, 2010

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VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY
JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

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Independent Auditor's Report

Village of South Bloomfield
Pickaway County
5023 South Union Street
South Bloomfield, Ohio 43103

We have audited the accompanying financial statements of the Village of South Bloomfield, Pickaway County, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

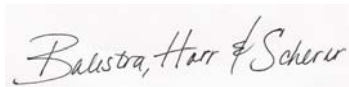
Instead of the combined funds the accompanying financial statements present for 2007 and 2006, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position on cash flows where applicable of the Village as of December 31, 2007 and 2006 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of South Bloomfield, Pickaway County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

April 6, 2010

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Local Taxes	\$ 91,217	\$ -	\$ 91,217
Municipal Income Tax	262,724	-	262,724
Intergovernmental	30,557	79,199	109,756
Charges for Services	186,854	-	186,854
Fines, Licenses, and Permits	102,593	-	102,593
Earnings on Investments	33,886	883	34,769
Miscellaneous	6,186	3,220	9,406
	<u>714,017</u>	<u>83,302</u>	<u>797,319</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons & Property	265,114	-	265,114
Public Health Service	5,563	-	5,563
Leisure Time Activities	13,035	-	13,035
Community Environment	5,270	-	5,270
Basic Utility Services	165,053	-	165,053
Transportation	54,399	58,016	112,415
General Government	137,807	102	137,909
Capital Outlay	-	26,728	26,728
Debt Service:			
Redemption of Principal	-	11,373	11,373
Interest and Fiscal Charges	-	1,613	1,613
	<u>646,241</u>	<u>97,832</u>	<u>744,073</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	67,776	(14,530)	53,246
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes	-	26,728	26,728
Other Uses	(1,730)	-	(1,730)
	<u>(1,730)</u>	<u>26,728</u>	<u>24,998</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	66,046	12,198	78,244
Fund Cash Balances, January 1	<u>150,980</u>	<u>61,532</u>	<u>212,512</u>
Fund Cash Balances, December 31	<u>\$ 217,026</u>	<u>\$ 73,730</u>	<u>\$ 290,756</u>

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILARY FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 623,964	\$ -	\$ 623,964
Fines, Licenses & Permits	-	48,900	48,900
Miscellaneous	521	-	521
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	624,485	48,900	673,385
Operating cash disbursements			
Personal services	121,400	-	121,400
Fringe benefits	37,709	-	37,709
Contractual services	131,523	47,598	179,121
Supplies and Materials	83,551	-	83,551
Other	6,882	-	6,882
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	381,065	47,598	428,663
Operating Income/(Loss)	243,420	1,302	244,722
Non-Operating Cash Receipts/Disbursements			
Intergovernmental	520,689	-	520,689
Earnings on Investments	24,991	-	24,991
Miscellaneous cash receipts	500	-	500
Capital Outlay	(771,903)	-	(771,903)
Other Non-operating Receipts	-	91,418	91,418
Proceeds of OWDA Loans	530,457	-	530,457
Principal	(293,084)	-	(293,084)
Interest	(262,920)	-	(262,920)
Other Non-operating Disbursements	-	(92,595)	(92,595)
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Total Non-Operating Cash Receipts (Disbursement)	(251,270)	(1,177)	(252,447)
Net Cash Receipts Over/(Under) Cash Disbursements	(7,850)	125	(7,725)
Transfers-In	74,802	-	74,802
Transfers-Out	(74,802)	-	(74,802)
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Fund Cash Balances, January 1	1,343,568	32,632	1,376,200
Fund Cash Balances, December 31	<u>\$ 1,335,718</u>	<u>\$ 32,757</u>	<u>\$ 1,368,475</u>

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 64,214	\$ -	\$ 64,214
Municipal Income Tax	233,258	-	233,258
Intergovernmental	34,773	83,634	118,407
Charges for Services	137,470	-	137,470
Fines, Licenses, and Permits	149,694	-	149,694
Earnings on Investments	37,350	1,740	39,090
Miscellaneous	6,263	2,510	8,773
	<u>663,022</u>	<u>87,884</u>	<u>750,906</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons & Property	230,188	18,762	248,950
Public Health Service	4,090	-	4,090
Leisure Time Activities	14,525	-	14,525
Community Environment	6,361	-	6,361
Basic Utility Services	119,261	-	119,261
Transportation	45,414	84,182	129,596
General Government	124,617	9,292	133,909
Capital Outlay	-	25,327	25,327
Debt Service:			
Redemption of Principal	1,845	4,232	6,077
Interest and Fiscal Charges	14	391	405
	<u>546,315</u>	<u>142,186</u>	<u>688,501</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	116,707	(54,302)	62,405
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes	-	25,327	25,327
Transfers-In	-	10,556	10,556
Transfers-Out	(10,556)	-	(10,556)
Other Uses	(10,081)	-	(10,081)
	<u>(20,637)</u>	<u>35,883</u>	<u>15,246</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	96,070	(18,419)	77,651
Fund Cash Balances, January 1	<u>54,910</u>	<u>79,951</u>	<u>134,861</u>
Fund Cash Balances, December 31	<u>\$ 150,980</u>	<u>\$ 61,532</u>	<u>\$ 212,512</u>
Reserve for Encumbrances, December 31	<u>\$ 1,486</u>	<u>\$ 31</u>	<u>\$ 1,517</u>

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 675,387	\$ -	\$ 675,387
Miscellaneous	1,396	-	1,396
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Total Operating Cash Receipts	676,783	-	676,783
Operating Cash disbursements			
Personal services	122,239	-	122,239
Fringe benefits	38,201	-	38,201
Contractual services	84,085	87	84,172
Supplies and Materials	43,608	-	43,608
Other	3,458	-	3,458
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Total Operating Cash Disbursements	291,591	87	291,678
Operating Income/(Loss)	385,192	(87)	385,105
Non-Operating Cash Receipts/Disbursements			
Earnings on Investments	20,017	-	20,017
Intergovernmental	561,987	-	561,987
Capital Outlay	(5,032,188)	-	(5,032,188)
Other Non-operating Receipts	-	127,039	127,039
Proceeds of OWDA Loans	4,765,322	-	4,765,322
Debt Service:			
Principal	(448,904)	-	(448,904)
Interest	(119,659)	-	(119,659)
Other Non-operating Disbursements	-	(123,380)	(123,380)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Receipts (Disbursement)	(253,425)	3,659	(249,766)
Net Cash Receipts Over/(Under) Cash Disbursements	131,767	3,572	135,339
Transfers-In	12,556	-	12,556
Transfers-Out	(12,556)	-	(12,556)
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Fund Cash Balances, January 1	1,211,801	29,060	1,240,861
Fund Cash Balances, December 31	<u>\$ 1,343,568</u>	<u>\$ 32,632</u>	<u>\$ 1,376,200</u>
Reserve for Encumbrances, December 31	<u>\$ 879</u>	<u>\$ -</u>	<u>\$ 879</u>

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of South Bloomfield, Pickaway County, Ohio, (the Village) is a body politic and corporate established to exercise 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 water and sewer utilities, park operations (leisure time activities), and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in 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.

Certificates of deposit are valued at cost. The investment in STAR Ohio is recorded at share value reported by the mutual fund.

D. Fund Accounting

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

1. General Fund:

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds:

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

Street Construction, Maintenance and Repair Fund – This fund receipts gasoline tax and motor vehicle license tax money to construct, maintain and repair Village streets.

3. 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 charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Water and Sewer Debt Service Funds - Receives charges for services from residents to retire debt.

ODOT Rest Area/Sewer Construction Fund – This fund receipts grant monies to provide sewage service upgrades to the ODOT Rest Area on Route 23 north of the Village.

4. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayor's Court Fund- Received revenues paid to the Village Mayor's Court for traffic fines, penalties and court costs assessed to motorists.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object by department 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments as required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. 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.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

2. EQUITY IN POOLED CASH

The Village maintains a cash 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>2007</u>	<u>2006</u>
Demand deposits	\$416,868	\$446,118
Certificate of deposit	<u>800,181</u>	<u>769,228</u>
Total deposits	<u>1,217,049</u>	<u>1,215,346</u>
STAR Ohio	442,182	373,366
Total investments	<u>442,182</u>	<u>373,366</u>
Total deposits and investments:	<u>\$1,659,231</u>	<u>\$1,588,712</u>

Deposits:

The Village's deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

Investments:

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and December 31, 2006, was as follows:

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$608,503	\$714,017	\$105,514
Special Revenue	122,296	110,030	(12,266)
Enterprise	<u>1,460,370</u>	<u>1,775,924</u>	<u>315,552</u>
Total	<u>\$2,191,169</u>	<u>\$2,599,971</u>	<u>\$408,800</u>

The Village did not obtain a reduced certificate of estimated resources as required by Section 5705.36(A)(4), Ohio Revised Code.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

3. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$737,385	\$647,971	\$89,414
Special Revenue	171,858	97,832	74,026
Enterprise	<u>3,012,817</u>	<u>1,783,774</u>	<u>1,229,043</u>
Total	<u>\$3,922,060</u>	<u>\$2,529,577</u>	<u>\$1,392,483</u>

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$677,911	\$663,022	(\$14,889)
Special Revenue	116,661	123,767	7,106
Enterprise	<u>7,919,844</u>	<u>6,036,665</u>	<u>(1,883,179)</u>
Total	<u>\$8,714,416</u>	<u>\$6,823,454</u>	<u>(\$1,890,962)</u>

The Village did not obtain a reduced certificate of estimated resources as required by Section 5705.36(A)(4), Ohio Revised Code.

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$610,901	\$568,438	\$42,463
Special Revenue	163,221	142,217	21,004
Enterprise	<u>8,242,714</u>	<u>5,905,777</u>	<u>2,336,937</u>
Total	<u>\$9,016,836</u>	<u>\$6,616,432</u>	<u>\$2,400,404</u>

Contrary to Ohio law, budgetary expenditures exceeded budgeted revenues in various funds. This is not in compliance with Ohio Revised Code Section 5705.39.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 0250	\$1,115,527	2%
Ohio Water Development Authority Loan 1000NR	649,431	7.21%
Ohio Water Development Authority Loan 1001NR	203,157	7.14%
Ohio Water Development Authority Loan 1001NRS2	86,164	7.38%
Ohio Water Development Authority Loan 4303	5,169,094	1.5 -3.99%
Ohio Public Works Commission Loan CQ017	132,730	0%
Ohio Water Development Authority Loan 1001NRS	220,721	6.51%
Bank Loan 4845	124,159	4.25%
Bank Loan 8560100	13,081	5.07%
Bank Loan 4121396	<u>23,369</u>	2.3%
Total	<u>\$7,737,434</u>	

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

6. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$9,148,357 in loans to the Village for this project. The loans will be repaid in semiannual installments as noted in the following tables, including interest, over 20 years. The scheduled payments will be adjusted to reflect any revisions in amounts actually borrowed. The Ohio Public Works Commission (OPWC) Loan also relates to the water and sewer plant expansion. Bank Loans 8560100 and 4121396 were for the purchase of police cruisers. Bank Loan 4845 is for sewer line installation.

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

	OWDA Loan 0250	OWDA Loan 1000NR	OWDA Loan 1001NR	OWDA Loan 1001NRS
Year Ending December 31:				
2008	\$84,422	\$90,344	\$27,282	\$28,720
2009	84,422	90,344	27,282	28,720
2010	84,422	90,344	27,282	28,720
2011	84,422	90,344	27,282	28,720
2012	84,422	90,344	27,282	28,720
2013-2017	422,111	451,720	136,411	143,600
2018-2022	422,111	45,172	27,273	28,721
2023	42,211	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$1,308,543</u>	<u>\$948,612</u>	<u>\$300,094</u>	<u>\$315,921</u>

	OWDA Loan 1001NRS2	OPWC CQ017	Bank Loan 4845	Bank Loan 8560100	Bank Loan 5006024
Year Ending December 31:					
2008	\$11,709	\$12,641	\$128,405	\$9,390	\$7,478
2009	11,709	12,641	0	4,737	7,478
2010	11,709	12,641	0	0	7,478
2011	11,709	12,641	0	0	3,739
2012	11,709	12,641	0	0	0
2013-2017	58,544	63,205	0	0	0
2018	11,709	6,319	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$128,798</u>	<u>\$132,729</u>	<u>\$128,405</u>	<u>\$14,127</u>	<u>\$26,173</u>

Project loan 4303 has not been finalized with the OWDA; therefore no amortization schedule has been created. As a result these loans are not shown on the above maturity schedule.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS is a cost-sharing, multiple-employer plan. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 9.5% and 9.0%, respectively, of gross wages. The Village contributed an amount equal to 13.85% and 13.7%, respectively, of participants' gross wages. The Village has paid all contributions required through December 31, 2007.

8. RISK MANAGEMENT

The Village has obtained commercial insurance coverage for the following risks:

- Comprehensive property and general liability
- Vehicles; and
- Errors and omissions.

The Village also provides health insurance, dental and vision coverage to full-time employees through a private carrier.

Settled claims have not exceeded this commercial coverage in any of the three past years. There has been no significant change in coverage from last year.

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

10. COMPLIANCE

- The Village did not file their annual appropriations with the County Auditor for the year ended December 31, 2008, contrary to Ohio Revised Code Section 5705.38.
- The Village did not properly encumber all commitments as required by the Ohio Revised Code Section 5705.41(D)
- The Village did not maintain an accounting system sufficient to properly record and report the financial transactions of the Village as required by Ohio Administrative Code Section 117-2-02A
- Transfers were made from the General Fund without the approval of the Village Council, contrary to Ohio revised code Section 5705.14(E).



Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed in Accordance With *Government Auditing Standards*

Village of South Bloomfield
Pickaway County
5023 South Union Street
South Bloomfield, Ohio 43103

We have audited the financial statements of the Village of South Bloomfield, Pickaway County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated April 6, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-01, 2007-02, 2007-04, 2007-05, and 2007-06

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the following significant deficiencies to be material weaknesses: 2007-01, 2007-02, 2007-04, 2007-05 and 2007-06.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated April 6, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2007-01 through 2007-06.

We also noted certain matters that we reported to management in a separate letter dated April 6, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and accordingly, we express no opinion on them.

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



Balestra, Harr & Scherer, CPAs, Inc.

April 6, 2010

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER	2007-01
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MATERIAL NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Revised Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated resources.

In 2006, appropriations exceeded estimated resources in the Permissive Tax Fund by \$109,236 and in the Capital Projects Storm Sewer Fund by \$2,056.

The Village should make every effort to comply with Ohio Revised Code Section 5705.39. Compliance will help ensure that the Village stays within its budget. This citation of noncompliance has been reported since the 1999-98 audit.

Client Response: The Village will implement procedures to ensure that appropriations do not exceed available resources.

FINDING NUMBER	2007-02
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MATERIAL NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Upon comparison of appropriations to available resources (defined as unencumbered beginning balance + estimated receipts), the auditor noted 2006 appropriations were in excess of available resources in the Permissive Tax Fund by \$111,944 and in the Capital Projects Storm Sewer Fund by \$64,371. For 2007 appropriations were in excess of the available resources in the Street Construction, Maintenance, and Repair Fund by \$15,552, the Permissive Tax Fund by \$5,655, and the Water Operating Fund by \$51,839

The Village should implement monitoring procedures to ensure compliance with 5705.36(A)(4). Establishment of procedures for monitoring the compliance with this requirement helps to ensure that monies are not expended in excess of allowable limits.

Client Response: The Village will implement procedures to monitor actual resources and secure reduced amended certificates and corresponding reductions in appropriations when required.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY
SCHEDULE OF FINDINGS (CONTINUED)
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER	2007-03
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MATERIAL NONCOMPLIANCE

Ohio Revised Code Section 5705.38 requires the annual appropriation measure to be adopted at the legal level of control. ORC Section 5705.38(C) defines the minimum level of control for Villages as “each office, department, and division, and within each, the amount appropriated for personal services”.

Upon review, the appropriations of the Village for 2006 and 2007 were not adopted at the legal level of control.

The Village should adopt the appropriations at the legal level of control.

Client Response: The Village will implement procedures to ensure that appropriations are at the legal level of control.

FINDING NUMBER	2007-04
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MATERIAL NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This section also provides two exceptions to the above requirement:

- Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time or the certificate, appropriated and free of any previous encumbrances, the (entity) may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- If the amount involved is less than three thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the (legislative authority) upon completion of a then and now certificate.

Several transactions tested were not certified prior to the purchase commitment. There was no indication that “then and now” certificates were used.

The Village should issue a valid purchase order with the signature of the fiscal officer prior to making any purchase commitment. In those events when commitments are made prior to obtaining the fiscal officer’s certificate, the Village should employ the allowable provision of law under this section, Ohio Revised Code Section 5705.41(D), and secure a “then and now” certificate. This matter has been cited since the 1999-98 audit.

Client Response: The Village will implement procedures to ensure that the certificate of the fiscal officer is obtained before funds are obligated for disbursement.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY
SCHEDULE OF FINDINGS (CONTINUED)
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER	2007-05
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MATERIAL NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Administrative Code Section 117-2-02A directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, and analyze, classify, record and report its transactions, maintain accountability for the related assets, and prepare financial statements required by Rule 117-2-03 of the OAC. OAC Section 117-2-02D allows the records to be maintained manually or in a computerized format and requires the following: 1) Cash journal with the amount, date, receipts number, check number, account code and any other information necessary to properly classify the transaction; 2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date, name of the payer, purpose, receipt number and other information necessary to record the transaction on this ledger, and; 3) Appropriation ledger to assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriations resolution. The amount, date, fund, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursements, uncommitted balance of appropriations and any other information required may be inter in the appropriate columns.

The Village audit was initially suspended and declared un-auditable. For the two year period, the Fiscal Officer did not prepare bank reconciliations. The Auditor of State completed a cash review for 2007 and prepared bank reconciliations. Numerous receipt and disbursement transactions were identified and posted to the Village records upon the completion of this review. Additionally, the review of the financial transactions for this period resulted in thirty three additional audit adjustments and reclassification entries to correct errors in posting receipt and disbursement transactions. This did not allow the Fiscal Officer to accurately reflect the financial transactions for the Village.

A review of the vouchers supporting Village disbursements revealed a lack of supporting documentation, such as an invoice, in 20% of the tested transactions. Furthermore, in 10% of the tested vouchers, there appeared to be duplicate payments. Upon further review, the check for each of these duplicate vouchers was found to be properly voided.

The fact that the posting errors resulting in reclassification and adjusting entries occurred indicates a significant deficiency in the internal controls of financial record keeping and reporting and resulted in the inaccurate reflection of the receipts and disbursements of the Village for 2007 and 2006.

We recommend the Fiscal Officer review the requirements of OAC Section 117-2-02 and the description of the accounts maintain the receipt ledger, appropriation ledger, and cash journal in the manner prescribed therein. We also recommend that an invoice or other document supporting the disbursement of Village funds be retained and included with the voucher supporting that payment. Further, when a check is voided by the Fiscal Officer, the voucher should also be marked void.

Client Response: The Fiscal Officer was inexperienced and had not yet received training. The Village has or is in the process of addressing all of the issues indicated.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY
SCHEDULE OF FINDINGS (CONTINUED)
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER	2007-06
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MATERIAL NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Revised Code Section 5705.14(E) states, in part that transfers from the General Fund to any other fund require approval in a resolution of the taxing authority. A review of the minutes did not indicate any reason for these transfers and often did not disclose their approval by the Village Council. There was no indication of a resolution authorizing these transfers.

The Village should include the approval of all transfers in the minutes of Council. There should be a resolution authorizing said transfers with clear indication of the funds into which the monies are to be transferred. No transfer should be made by the Fiscal Officer without approval of the Council.

Client Response: The Village will implement procedures to ensure that transfers are authorized by a resolution approved by Council and that the approval is recorded in the minute record.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-01	5705.41 (D): Purchase order prior to invoice date	No	Reissued as 2007-04
2005-02	5705.39: Expenditures Exceeding Appropriations	No	Reissued as 2007-01
2005-03	5705.41 (B): Expending funds without being appropriated.	Yes	Corrected
2005-04	5705.36(A)(4) Reducing amended certificates	No	Reissued as 2007-02



Mary Taylor, CPA
Auditor of State

VILLAGE OF SOUTH BLOOMFIELD

PICKAWAY 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
SEPTEMBER 21, 2010**