



**Auditor of State
Betty Montgomery**

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Bergholz
Jefferson County
P O Box 242
256-1 Second Street
Bergholz, Ohio 43908

To the Village Council:

We have audited the accompanying financial statements of the Village of Bergholz, Jefferson County, (the Village) as of and for the years ended December 31, 2002 and 2001. 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 obtain reasonable assurance about 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Bergholz, Jefferson County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

April 4, 2003

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**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$16,941	\$4,062	\$21,003
Intergovernmental Receipts	24,649	24,919	49,568
Fines, Licenses, and Permits	11,454		11,454
Earnings on Investments	1,054		1,054
Miscellaneous	12,804	762	13,566
	<u>66,902</u>	<u>29,743</u>	<u>96,645</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	14,037	4,003	18,040
Public Health Services	798		798
Basic Utility Services	971		971
Transportation	28,690	24,248	52,938
General Government	27,049		27,049
	<u>71,545</u>	<u>28,251</u>	<u>99,796</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(4,643)</u>	<u>1,492</u>	<u>(3,151)</u>
Fund Cash Balances, January 1	<u>121,460</u>	<u>26,103</u>	<u>147,563</u>
Fund Cash Balances, December 31	<u><u>\$116,817</u></u>	<u><u>\$27,595</u></u>	<u><u>\$144,412</u></u>

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

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<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	\$46,441		\$46,441
Miscellaneous	1,537		1,537
Total Operating Cash Receipts	47,978		47,978
Operating Cash Disbursements:			
Personal Service	40,223		40,223
Travel Transportation	2,844		2,844
Contractual Services	8,909		8,909
Supplies and Materials	12,336		12,336
Miscellaneous	3,920		3,920
Total Operating Cash Disbursements	68,232		68,232
Operating Income/(Loss)	(20,254)		(20,254)
Non-Operating Cash Receipts:			
Earnings on Investments	325		325
Mayor's Court Receipts		\$13,774	13,774
Total Non-Operating Cash Receipts	325	13,774	14,099
Non-Operating Cash Disbursements:			
Payments to State		2,420	2,420
Payments to Village		11,354	11,354
Total Non-Operating Cash Disbursements		\$13,774	13,774
Net Receipts Over/(Under) Disbursements	(19,929)		(19,929)
Fund Cash Balances, January 1	48,135		48,135
Fund Cash Balances, December 31	\$28,206		\$28,206

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

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$15,714	\$3,760	\$19,474
Intergovernmental Receipts	20,424	23,975	44,399
Fines, Licenses, and Permits	9,748		9,748
Earnings on Investments	2,568	44	2,612
Miscellaneous	18,492	503	18,995
	<u>66,946</u>	<u>28,282</u>	<u>95,228</u>
Total Cash Receipts			
	<u>66,946</u>	<u>28,282</u>	<u>95,228</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	13,193	3,680	16,873
Public Health Services	583		583
Leisure Time Activities	150		150
Basic Utility Services	1,387		1,387
Transportation	2,424	24,056	26,480
General Government	28,891	80	28,971
Capital Outlay	16,067		16,067
	<u>62,695</u>	<u>27,816</u>	<u>90,511</u>
Total Cash Disbursements			
	<u>62,695</u>	<u>27,816</u>	<u>90,511</u>
Total Receipts Over/(Under) Disbursements	<u>4,251</u>	<u>466</u>	<u>4,717</u>
Fund Cash Balances, January 1	<u>117,209</u>	<u>25,637</u>	<u>142,846</u>
Fund Cash Balances, December 31	<u><u>\$121,460</u></u>	<u><u>\$26,103</u></u>	<u><u>\$147,563</u></u>

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

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<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	\$46,394		\$46,394
Miscellaneous	1,434		1,434
Total Operating Cash Receipts	<u>47,828</u>		<u>47,828</u>
Operating Cash Disbursements:			
Personal Service	31,189		31,189
Travel Transportation	2,505		2,505
Contractual Services	10,472		10,472
Supplies and Materials	11,437		11,437
Total Operating Cash Disbursements	<u>55,603</u>		<u>55,603</u>
Operating Income/(Loss)	<u>(7,775)</u>		<u>(7,775)</u>
Non-Operating Cash Receipts:			
Mayor's Court Receipts		\$5,325	5,325
Earnings On Investments	771		771
Total Non-Operating Cash Receipts	<u>771</u>	<u>5,325</u>	<u>6,096</u>
Non-Operating Cash Disbursements:			
Miscellaneous		100	100
Payments to State		825	825
Payments to Village		4,400	4,400
Total Non-Operating Cash Disbursements		<u>\$5,325</u>	<u>5,325</u>
Net Receipts Over/(Under) Disbursements	(7,004)		(7,004)
Fund Cash Balances, January 1	<u>55,139</u>		<u>55,139</u>
Fund Cash Balances, December 31	<u><u>\$48,135</u></u>		<u><u>\$48,135</u></u>

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

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Bergholz, Jefferson County, (the Village) is a body corporate and politic 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 general government, transportation, leisure time activities, water utilities, and police services. The Village contracts with the Bergholz Volunteer Fire Department to provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the 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 reported as assets. 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.

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.

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 receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fund:

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

4. Fiduciary Funds (Agency Funds)

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

Mayor's Court Fund – This fund is used to account for all financial transactions of the Village's Mayor's Court.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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 Revised Code § 5705.41(D).

A summary of 2002 and 2001 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.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation Leave

Employees are entitled to cash payments for unused vacation leave in certain circumstances, such as upon leaving employment. Unpaid vacation leave is not reflected as a liability under the basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$143,636	\$138,290
Certificates of deposit	28,982	57,408
Total deposits	\$172,618	\$195,698

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,855	\$66,902	(\$17,953)
Special Revenue	41,081	29,743	(11,338)
Enterprise	72,850	48,303	(24,547)
Total	\$198,786	\$144,948	(\$53,838)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$161,137	\$71,545	\$89,592
Special Revenue	65,362	28,251	37,111
Enterprise	120,985	68,232	52,753
Total	\$347,484	\$168,028	\$179,456

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$106,760	\$66,946	(\$39,814)
Special Revenue	41,082	28,282	(12,800)
Enterprise	72,500	48,599	(23,901)
Total	\$220,342	\$143,827	(\$76,515)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$215,165	\$62,695	\$152,470
Special Revenue	65,524	27,816	37,708
Enterprise	127,639	55,603	72,036
Total	\$408,328	\$146,114	\$262,214

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 payments, 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. RETIREMENT SYSTEM

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides 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 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

7. COMPLIANCE

Contrary to Ohio Revised Code § 733.28, the Village Clerk/Treasurer failed to keep the books of the Village, exhibit accurate statements of all moneys received and expended, of all property owned by the Village and the income derived thereof, and of all taxes and assessments.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Bergholz
Jefferson County
P O Box 242
256-1 Second Street
Bergholz, Ohio 43908

To the Village Council:

We have audited the accompanying financial statements of the Village of Bergholz, Jefferson County, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 4, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-31241-001 and 2002-31241-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 4, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 4, 2003.

Village of Bergholz
Jefferson County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 4, 2003

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-31241-001

Ohio Revised Code § 733.28 requires the village clerk/treasurer to keep the books of the village, exhibit accurate statements of all moneys received and expended, of all property owned by the village and the income derived thereof, and of all taxes and assessments.

The Clerk/Treasurer failed to keep accurate records. The purchases and redemptions of certificates of deposit were posted as revenue and expenditures in the General Fund which overstated the General Fund activity by 30% or more in fiscal year 2002 and 39% or more in fiscal year 2001. The Mayor's Court activity was not posted to the Village ledgers. There were also consistent errors in posting intergovernmental revenue, tax revenue, miscellaneous revenue, interest revenue, and disbursements. As a result, the Village books were not an accurate reflection of all financial activities.

The Clerk/Treasurer should record all financial activity of the Village in the receipts ledger, appropriation ledger and the cash journal, as appropriate, so that accurate statements of all moneys received and expended can be prepared. Periodically, financial reports including all activity of the Village should be submitted to Council for review. Failure to post all financial activity to the Village ledgers resulted in several errors on the annual financial statements. Adjustments to properly reflect activity of all funds were made by the Village and are included in the accompanying financial statements.

FINDING NUMBER 2002-31241-002

Ohio Revised Code § 5705.41 (D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirement:

- A. Then and Now Certificate – 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 contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council 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.
- B. If the amount involved is less than one thousand dollars (\$1,000) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the City Council, if such expenditure is otherwise valid.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 27% of tested expenditures of 2002 and 43% of tested expenditures of 2001. The Village did not utilize the certification exceptions described above for those expenditures lacking prior or simultaneous certification.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. The Village should obtain approved purchase orders which include the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making the commitment.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-31241-001	ORC § 733.28 Clerk is to keep accurate records	No	Not Corrected. See Finding Number 2002-31241-001
2000-31241-002	Coding of Receipts and Expenditures	No	Not Corrected. Included in Finding Number 2002-31241-001



**Auditor of State
Betty Montgomery**

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VILLAGE OF BERGHOLZ

JEFFERSON 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
MAY 13, 2003**