

VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY
REGULAR AUDIT
JANUARY 1, 2002 - DECEMBER 31, 2003
FISCAL YEARS AUDITED UNDER GAGAS: 2003 & 2002

BALESTRA, HARR & SCHERER, CPAS, INC.

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**Auditor of State
Betty Montgomery**

Village Council
Village of South Bloomfield
5023 S. Union St.
South Bloomfield, OH 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, 2002 through December 31, 2003. 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 South Bloomfield is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 17, 2004

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VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY
JANUARY 1, 2002 THROUGH DECEMBER 31, 2003

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Independent Auditor's Report

Village Council
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, 2003 and December 31, 2002. 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of South Bloomfield, Pickaway County, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and cash 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 a report dated July 15, 2004, 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.

Village of South Bloomfield
Independent Auditor's Report
Page 2

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

July 15, 2004

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, 2003

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Local Taxes	\$125,823	\$0	\$125,823
Intergovernmental	33,356	75,870	109,226
Charges for Services	90,823	0	90,823
Fines, Licenses, and Permits	161,621	0	161,621
Interest	6,896	589	7,485
Miscellaneous	6,292	0	6,292
Total Cash Receipts	424,811	76,459	501,270
Cash Disbursements:			
Security of Persons and Property	175,632	0	175,632
Public Health Service	2,531	0	2,531
Community Environment	14,996	0	14,996
Leisure Time Activities	6,587	0	6,587
Transportation	44,119	25,697	69,816
Basic Utility Service	79,920	0	79,920
General Government	124,077	0	124,077
Capital Outlay	20,654	0	20,654
Debt Service:			
Principal & Interest Payments	7,394	0	7,394
Total Cash Disbursements	475,910	25,697	501,607
Excess of Cash Receipts Over/ (Under) Cash Disbursements	(51,099)	50,762	(337)
Other Financing Receipts/(Disbursements)			
Other Debt Proceeds	20,654	0	20,654
Other Financing Sources	3,174	0	3,174
Total Other Financing Receipts/(Disbursements)	23,828	0	23,828
Total of Receipts and Other Financing Receipts Over/(Under) Disbursements and Other Disbursements	(27,271)	50,762	23,491
Fund Cash Balances, January 1, 2003	81,963	19,821	101,784
Fund Cash Balances, December 31, 2003	<u>\$54,692</u>	<u>\$70,583</u>	<u>\$125,275</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 -ENTERPRISE FUNDS AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	Enterprise	Agency	Totals (Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$545,255	\$0	\$545,255
Fines, Licenses & Permits	8,380	72,550	80,930
Miscellaneous	24,750	0	24,750
Total Operating Cash Receipts	578,385	72,550	650,935
Operating Cash Disbursements:			
Personal Service	66,619	0	66,619
Employee Fringe Benefits	20,686	0	20,686
Contractual Services	88,285	97,205	185,490
Supplies and Materials	34,805	0	34,805
Capital Outlay	266,847	0	266,847
Other	26	0	26
Total Operating Cash Disbursements	477,268	97,205	574,473
Operating Income/(Loss)	101,117	(24,655)	76,462
Non-Operating Cash Receipts:			
Other Debt Proceeds	200,000	0	200,000
Mayor's Court Receipts	0	119,816	119,816
Interest	21,162	0	21,162
Total Non-Operating Cash Receipts	221,162	119,816	340,978
Non-Operating Cash Disbursements:			
Debt Service	267,830	0	267,830
Mayor's Court Disbursements	0	116,262	116,262
Total Non-Operating Cash Disbursements	267,830	116,262	384,092
Net Receipts Over/(Under) Disbursements	54,449	(21,101)	33,348
Fund Cash Balances, January 1, 2003	833,149	84,253	917,402
Fund Cash Balances, December 31, 2003	\$887,598	\$63,152	\$950,750

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, 2002

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$122,501	\$0	\$0	\$122,501
Intergovernmental	31,374	40,870	43,309	115,553
Charges for Services	80,114	0	0	80,114
Fines, Licenses, and Permits	141,803	0	0	141,803
Interest	7,659	772	0	8,431
Miscellaneous	23,952	0	0	23,952
Total Cash Receipts:	407,403	41,642	43,309	492,354
Cash Disbursements:				
Security of Persons and Property	97,252	0	0	97,252
Public Health Service	2,441	0	0	2,441
Community Environment	7,940	0	0	7,940
Leisure Time Activities	5,445	0	0	5,445
Transportation	43,185	42,980	0	86,165
Basic Utility Services	67,538	0	0	67,538
General Government	117,951	0	0	117,951
Capital Outlay	0	400	62,833	63,233
Debt Service:				
Principal Payments and Interest	7,522	0	0	7,522
Total Cash Disbursements	349,274	43,380	62,833	455,487
Excess of Cash Receipts Over/ (Under) Cash Disbursements	58,129	(1,738)	(19,524)	36,867
Fund Cash Balances, January 1, 2002	23,834	21,559	19,524	64,917
Fund Cash Balances, December 31, 2002	\$81,963	\$19,821	\$0	\$101,784

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 -ENTERPRISE FUNDS AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	Enterprise	Agency	Totals (Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$773,985	\$0	\$773,985
Fines, Licenses & Permits	0	145,898	145,898
Miscellaneous	3,215	10,000	13,215
Total Operating Cash Receipts	777,200	155,898	933,098
Operating Cash Disbursements:			
Personal Service	62,011	0	62,011
Contractual Services	87,743	72,680	160,423
Supplies and Materials	31,305	0	31,305
Capital Outlay	210,360	0	210,360
Total Operating Cash Disbursements	391,419	72,680	464,099
Operating Income/(Loss)	385,781	83,218	468,999
Non-Operating Cash Receipts:			
Tap Fees	202,217	0	202,217
Other Debt Proceeds	75,000	0	75,000
Mayor's Court Receipts	0	111,069	111,069
Interest	7,459	0	7,459
Intergovernmental Grant	98,000	0	98,000
Total Non-Operating Cash Receipts	382,676	111,069	493,745
Non-Operating Cash Disbursements:			
Debt Service	289,559	0	289,559
Mayor's Court Disbursements	0	116,578	116,578
Total Non-Operating Cash Disbursements	289,559	116,578	406,137
Net Receipts Over/(Under) Disbursements	478,898	77,709	556,607
Fund Cash Balances, January 1, 2002	354,251	6,544	360,795
Fund Cash Balances, December 31, 2002	\$833,149	\$84,253	\$917,402

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, 2003 AND 2002

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 and the money market account 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, 2003 AND 2002

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 Funds:

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. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. Village had the following significant capital project funds:

Construction Fund – This fund received proceeds from the State of Ohio and from Dairy Mart. The proceeds are being used for road construction.

4. 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.

Sewer Plant Construction - This fund's receipts were derived from sewer tap fees to aid in the construction of a new sewer plant.

5. 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 funds:

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

Dominion & Maronda Homes Inspection Funds- Receive fees from local housing developments for house inspection costs.

VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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 2003 and 2002 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, 2003 AND 2002

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>2003</u>	<u>2002</u>
Demand deposits	\$252,987	\$231,960
Certificate of deposit	<u>58,904</u>	<u>55,038</u>
Total deposits	<u>311,891</u>	<u>286,998</u>
STAR Ohio	340,528	456,083
Money Market Account	<u>423,606</u>	<u>276,105</u>
Total investments	<u>764,134</u>	<u>732,188</u>
Total deposits and investments:	<u>\$1,076,025</u>	<u>\$1,019,186</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 the money market account and 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, 2003 and December 31, 2002, was as follows:

<u>Fund Type</u>	2003 Budgeted vs. Actual Receipts		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$417,111	\$448,639	\$31,528
Special Revenue	40,000	76,459	36,459
Enterprise	<u>1,076,150</u>	<u>799,547</u>	<u>(276,603)</u>
Total	<u>\$1,533,261</u>	<u>\$1,324,645</u>	<u>(\$208,616)</u>

VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$467,735	\$475,910	(\$8,175)
Special Revenue	50,100	25,697	24,403
Enterprise	<u>1,458,718</u>	<u>745,098</u>	<u>713,620</u>
Total	<u>\$1,976,553</u>	<u>\$1,246,705</u>	<u>\$729,848</u>

2002 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$331,626	\$407,403	\$75,777
Special Revenue	33,200	41,642	8,442
Capital Projects	43,309	43,309	0
Enterprise	<u>587,924</u>	<u>1,159,876</u>	<u>571,952</u>
Total	<u>\$996,059</u>	<u>\$1,652,230</u>	<u>\$656,171</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$346,047	\$349,274	(\$3,227)
Special Revenue	51,700	43,380	8,320
Capital Projects	62,833	62,833	0
Enterprise	<u>729,719</u>	<u>680,978</u>	<u>48,741</u>
Total	<u>\$1,190,299</u>	<u>\$1,136,465</u>	<u>\$53,834</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. Budgetary appropriations exceeded actual expenditures in various funds. This is not in compliance with Ohio Revised Code Section 5705.41(B).

VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

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 .05 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, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan 3422	\$258,201	5.89%
Ohio Water Development Authority Loan 0250	1,352,032	2%
Ohio Water Development Authority Loan 1000NR	796,146	7.21%
Ohio Water Development Authority Loan 1001NR	246,298	7.14%
Ohio Water Development Authority Loan 1001NRS2	104,131	7.38%
Ohio Public Works Commission Loan CQ017	183,293	0%
Ohio Water Development Authority Loan 1001NRS	269,874	6.51%
Bank Loan 4845	196,946	4.25%
Bank Loan 5006024	15,192	5.89%
Total	<u>\$3,163,912</u>	

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 \$3,842,288 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 Loan 5006024 was for the purchase of a police cruiser. Bank Loan 4845 is for sewer line installation.

VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

6. DEBT (Continued)

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

	OWDA Loan 0250	OWDA Loan 100NR	OWDA Loan 1001NR	OWDA Loan 1001NRS
Year Ending December 31:				
2004	\$84,422	\$90,344	\$27,282	\$28,720
2005	84,422	90,344	27,282	28,720
2006	84,422	90,344	27,282	28,720
2007	84,422	90,344	27,282	28,720
2008	84,422	90,344	27,282	28,720
2009-2013	422,111	451,720	136,411	143,600
2014-2018	422,111	406,548	136,411	143,600
2019-2023	<u>379,901</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$1,646,233</u>	<u>\$1,309,988</u>	<u>\$409,232</u>	<u>\$430,800</u>

	OWDA Loan 1001NRS2	OPWC CQ017	Bank Loan 4845	Bank Loan 5006024
Year Ending December 31:				
2004	\$11,709	\$12,641	\$24,587	\$7,373
2005	11,709	12,641	24,587	7,373
2006	11,709	12,641	24,587	1,229
2007	11,709	12,641	24,587	0
2008	11,709	12,641	130,709	0
2009-2013	58,544	63,205	0	0
2014-2018	<u>58,544</u>	<u>56,883</u>	<u>0</u>	<u>0</u>
Totals	<u>\$175,632</u>	<u>\$183,293</u>	<u>\$229,057</u>	<u>\$15,975</u>

Project loan 3422 have 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.

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 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of gross wages. The Village contributed an amount equal to 13.55% of participants' gross wages. The Village has paid all contributions required through December 31, 2003.

VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

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.

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

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5023 South Union Street
South Bloomfield, Ohio 43103

We have audited the financial statements of the Village of South Bloomfield, Pickaway County, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated July 15, 2004. 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 2003-01, 2003-02 and 2003-03. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 15, 2004.

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 a material weakness. 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 the management of the Village in a separate letter dated July 15, 2004.

Village of South Bloomfield
Pickaway County
Report on Compliance and On Internal Control Over Financial Reporting Based On An Audit
of Financial Statements Performed in Accordance with *Government Auditing Standards*
Page 2

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

July 15, 2004

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER	2003-01
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Ohio Rev. 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 requirements:

- 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 of 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, is such expenditure is otherwise valid.
- If the amount involved is less than one 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 issued.

The Village should issue a 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 certificate, the Village should employ the allowable provision of law under this section, Ohio Rev. Code Section 5705.41(D), and secure a “then and now” certificate. This matter has been cited since the 1999-98 audit.

FINDING NUMBER	2003-02
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Ohio Revised Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue.

In 2003, the Enterprise Sewer Plant Construction fund’s appropriations exceeded the total available resources by \$60,850.

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.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS (CONTINUED)
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER

2003-03

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

In 2002, the Village had expenditures which exceeded appropriations in the Capital Projects ODOT/Dairy Mart fund in the amount of \$62,833.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-30665-001	Expenditures Exceeding Appropriations	No	Not Corrected, non-compliance noted in current audit. See 2003-03
2001-30665-002	Fiscal Officer Certification	No	Not Corrected, non-compliance noted in current audit. See 2003-01
2001-30665-003	Meter usage logs were not maintained for entire audit period.	Yes	
2001-30665-004	Segregation of Duties- Income Tax Receipts	No	Not Fully Corrected – See Current Year Management Letter Comment



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Betty Montgomery**

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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 30, 2004**