

VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY  
REGULAR AUDIT  
JANUARY 1, 2004 - DECEMBER 31, 2005  
FISCAL YEARS AUDITED UNDER GAGAS: 2005 & 2004

**BALESTRA, HARR & SCHERER, CPAS, INC.**

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**Auditor of State  
Betty Montgomery**

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, 2004 through December 31, 2005. 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.

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

BETTY MONTGOMERY  
Auditor of State

December 13, 2006

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VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY  
JANUARY 1, 2004 THROUGH DECEMBER 31, 2005

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## 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 Village of South Bloomfield, Pickaway County, (the Village) as of and for the years ended December 31, 2005 and 2004. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts are materially misstated under 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 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004 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, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion & Analysis for the years ended December 31, 2005 and 2004. 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 October 13, 2006, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.  
October 13, 2006



**Village of South Bloomfield  
Pickaway County**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$ 52,022	\$ -	\$ 52,022
Municipal Income Tax	162,652	-	162,652
Intergovernmental	47,003	95,817	142,820
Charges for Services	120,635	-	120,635
Fines, Forfeitures, and Penalties	140,695	-	140,695
Earnings on Investments	18,295	500	18,795
Other Revenue	5,482	6,622	12,104
	<u>546,784</u>	<u>102,939</u>	<u>649,723</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	215,919	2,942	218,861
Public Health Service	3,627	-	3,627
Leisure Time Activities	5,035	-	5,035
Community Environment	6,963	-	6,963
Basic Utility Services	90,452	2,625	93,077
Transportation	46,211	79,976	126,187
General Government	105,422	10,841	116,263
Debt Service:			
Redemption of Principal	32,117	-	32,117
Interest and Fiscal Charges	873	-	873
	<u>506,619</u>	<u>96,384</u>	<u>603,003</u>
<b>Total Cash Disbursements</b>			
<b>Total Cash Receipts Over Cash Disbursements</b>	<u>40,165</u>	<u>6,555</u>	<u>46,720</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Advances-In	75,000	-	75,000
Advances-Out	(75,000)	-	(75,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements</b>	<u>40,165</u>	<u>6,555</u>	<u>46,720</u>
<b>Fund Cash Balances, January 1</b>	<u>14,745</u>	<u>73,396</u>	<u>88,141</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 54,910</u>	<u>\$ 79,951</u>	<u>\$ 134,861</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, 2005**

	<u>Enterprise</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 759,469	\$ -	\$ 759,469
Licenses, Permits, and Fees	5,050	20,000	25,050
Total Operating Cash Receipts	<u>764,519</u>	<u>20,000</u>	<u>784,519</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	96,653	-	96,653
Employee Fringe Benefits	27,562	-	27,562
Contractual Services	94,127	32,588	126,715
Supplies and Materials	38,889	-	38,889
Other	3,525	-	3,525
Capital Outlay	1,005,128	-	1,005,128
Total Operating Cash Disbursements	<u>1,265,884</u>	<u>32,588</u>	<u>1,298,472</u>
Operating Loss	<u>(501,365)</u>	<u>(12,588)</u>	<u>(513,953)</u>
<b>Non-Operating Receipts (Disbursements):</b>			
Intergovernmental	902,694	-	902,694
Earnings on Investments	12,205	-	12,205
Other Non-Operating Cash Receipts	-	105,977	105,977
Other Non-Operating Cash Disbursements	-	(105,870)	(105,870)
Redemption of Principal	(150,311)	-	(150,311)
Interest and Other Fiscal Charges	(127,080)	-	(127,080)
Total Non-Operating Receipts/(Disbursements)	<u>637,508</u>	<u>107</u>	<u>637,615</u>
<b>Income/(Loss) Before Interfund Transfers and Advances</b>	<u>136,143</u>	<u>(12,481)</u>	<u>123,662</u>
<b>Transfers and Advances:</b>			
Transfers - In	24,950	-	24,950
Transfers - Out	(24,950)	-	(24,950)
Advances - In	75,000	-	75,000
Advances - Out	(75,000)	-	(75,000)
Total Transfers and Advances	<u>-</u>	<u>-</u>	<u>-</u>
Net Receipts Over/(Under) Disbursements	136,143	(12,481)	123,662
Fund Cash Balances, January 1	<u>1,068,836</u>	<u>48,363</u>	<u>1,117,199</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 1,204,979</u></u>	<u><u>\$ 35,882</u></u>	<u><u>\$ 1,240,861</u></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 FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Local Taxes	\$ 37,850	\$ -	\$ 37,850
Municipal Income Tax	91,821	-	91,821
Intergovernmental	37,692	53,631	91,323
Charges for Services	103,671	-	103,671
Fines, Forfeitures, and Penalties	166,793	-	166,793
Earnings on Investments	12,140	168	12,308
Other Revenue	4,345	-	4,345
	<u>454,312</u>	<u>53,799</u>	<u>508,111</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	236,004	-	236,004
Public Health Service	2,700	-	2,700
Leisure Time Activities	5,321	-	5,321
Community Environment	10,780	-	10,780
Basic Utility Services	42,375	-	42,375
Transportation	84,034	28,668	112,702
General Government	129,238	10,318	139,556
Capital Outlay	-	12,000	12,000
Debt Service:			
Redemption of Principal	7,609	-	7,609
Interest and Fiscal Charges	1,198	-	1,198
	<u>519,259</u>	<u>50,986</u>	<u>570,245</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(64,947)</u>	<u>2,813</u>	<u>(62,134)</u>
<b>Other Financing Receipts:</b>			
Proceeds from Sale of Public Debt:			
Other Debt Proceeds	25,000	-	25,000
	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(39,947)	2,813	(37,134)
Fund Cash Balances, January 1	<u>54,692</u>	<u>70,583</u>	<u>125,275</u>
Fund Cash Balances, December 31	<u>\$ 14,745</u>	<u>\$ 73,396</u>	<u>\$ 88,141</u>
Reserve for Encumbrances, December 31	<u>\$ 21,412</u>	<u>\$ 576</u>	<u>\$ 21,988</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, 2004**

	<b>Enterprise</b>	<b>Agency</b>	<b>Totals (Memorandum Only)</b>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 997,117	\$ -	\$ 997,117
Licenses, Permits, and Fees	5,440	39,100	44,540
Total Operating Cash Receipts	1,002,557	39,100	1,041,657
<b>Operating Cash Disbursements:</b>			
Personal Services	70,636	-	70,636
Employee Fringe Benefits	24,531	-	24,531
Contractual Services	87,842	56,832	144,674
Supplies and Materials	24,273	-	24,273
Other	1,114	-	1,114
Capital Outlay	341,498	-	341,498
Total Operating Cash Disbursements	549,894	56,832	606,726
Operating Income/(Loss)	452,663	(17,732)	434,931
<b>Non-Operating Receipts/Disbursements:</b>			
Earnings on Investments	3,819	-	3,819
Other Non-Operating Cash Receipts	-	116,202	116,202
Other Non-Operating Cash Disbursements	-	(113,259)	(113,259)
Redemption of Principal	(142,922)	-	(142,922)
Interest and Other Fiscal Charges	(132,322)	-	(132,322)
Total Non-Operating Receipts/(Disbursements)	(271,425)	2,943	(268,482)
<b>Net Receipts Over/(Under) Disbursements</b>	181,238	(14,789)	166,449
Fund Cash Balances, January 1	887,598	63,152	950,750
<b>Fund Cash Balances, December 31</b>	<b>\$ 1,068,836</b>	<b>\$ 48,363</b>	<b>\$ 1,117,199</b>
Reserve for Encumbrances, December 31	\$ 7,259	\$ -	\$ 7,259

*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, 2005 AND 2004

**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, 2005 AND 2004

**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.

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

**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, 2005 AND 2004

**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 2005 and 2004 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, 2005 AND 2004

**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>2005</u>	<u>2004</u>
Demand deposits	\$296,964	\$155,736
Certificate of deposit	<u>17,389</u>	<u>15,739</u>
Total deposits	<u>311,891</u>	<u>286,998</u>
STAR Ohio	355,619	344,886
Money Market Account	<u>705,750</u>	<u>688,979</u>
Total investments	<u>1,061,369</u>	<u>1,033,865</u>
Total deposits and investments:	<u>\$1,375,722</u>	<u>\$1,205,340</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, 2005 and December 31, 2004, was as follows:

**2005 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$495,650	\$546,784	\$51,134
Special Revenue	71,819	102,939	31,120
Enterprise	<u>1,048,150</u>	<u>1,704,368</u>	<u>656,218</u>
Total	<u>\$1,615,619</u>	<u>\$2,354,091</u>	<u>\$738,472</u>



VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$484,565	\$506,619	(\$22,054)
Special Revenue	99,818	96,384	3,434
Enterprise	<u>1,112,850</u>	<u>1,568,225</u>	<u>(455,375)</u>
Total	<u>\$1,697,233</u>	<u>\$2,171,228</u>	<u>(\$473,995)</u>

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$424,982	\$479,312	\$54,330
Special Revenue	41,910	53,799	11,889
Enterprise	<u>1,072,920</u>	<u>1,006,376</u>	<u>(66,544)</u>
Total	<u>\$1,539,812</u>	<u>\$1,539,487</u>	<u>\$(325)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$648,218	\$540,671	\$107,547
Special Revenue	75,314	51,562	23,752
Enterprise	<u>2,375,176</u>	<u>832,397</u>	<u>1,542,779</u>
Total	<u>\$3,098,708</u>	<u>\$1,424,630</u>	<u>\$1,674,078</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. Actual expenditures exceeded budgetary appropriations in various funds. This is not in compliance with Ohio Revised Code Section 5705.41(B). Appropriations were in excess of available resources in various funds. This is not in compliance with Ohio Revised Code Section 5705.36 (A)(4).

VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

**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 (0.5 percent until July 1, 2005) 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, 2005 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan 0250	\$1,236,120	2%
Ohio Water Development Authority Loan 1000NR	727,887	7.21%
Ohio Water Development Authority Loan 1001NR	226,213	7.14%
Ohio Water Development Authority Loan 1001NRS2	95,786	7.38%
Ohio Water Development Authority Loan 3422	293,116	5.89%
Ohio Public Works Commission Loan CQ017	158,011	0%
Ohio Water Development Authority Loan 1001NRS	246,846	6.51%
Bank Loan 4845	163,211	4.25%
Bank Loan 5006024	1,878	5.89%
Total	\$2,855,953	

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, 2005 AND 2004

**6. DEBT (Continued)**

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:				
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	84,422	90,344	27,282	28,720
2010	84,422	90,344	27,282	28,720
2011-2015	422,111	451,720	136,411	143,600
2016-2020	422,111	271,032	54,564	100,520
2021-2025	<u>253,266</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$1,519,596</u>	<u>\$1,174,472</u>	<u>\$327,384</u>	<u>\$387,720</u>

	OWDA Loan 1001NRS2	OPWC CQ017	Bank Loan 4845	Bank Loan 5006024
Year Ending December 31:				
2006	\$11,709	\$12,641	\$24,587	\$1,878
2007	11,709	12,641	24,587	0
2008	11,709	12,641	131,059	0
2009	11,709	12,641	0	0
2010	11,709	12,641	0	0
2011-2015	58,544	63,205	0	0
2016-2020	<u>122,944</u>	<u>37,923</u>	<u>0</u>	<u>0</u>
Totals	<u>\$240,034</u>	<u>\$164,333</u>	<u>\$180,233</u>	<u>\$1,878</u>

Project loan 3422 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.

**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 2005 and 2004, 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, 2005.

VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

**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 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 Village of South Bloomfield, Pickaway County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 13, 2006, 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 audits, we considered the Village's internal control over financial reporting in order to determine auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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.

### **Compliance and Other Matters**

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 grant agreements, 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* and which are described in the accompanying schedule of findings as items 2005-01 through 2005-04.

We also noted certain matters that we reported to management in a separate letter dated October 13, 2006.

This report is intended solely 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.  
October 13, 2006

**VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

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

<b>FINDING NUMBER</b>	<b>2005-01</b>
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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 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, 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 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 Revised Code Section 5705.41(D), and secure a “then and now” certificate. This matter has been cited since the 1999-98 audit.

<b>FINDING NUMBER</b>	<b>2005-02</b>
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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 2004, appropriations exceeded estimated resources in the General Fund (\$168,544), Water Operating Fund (\$24,211), Sewer Operating Fund (\$420,364), and Sewer Plant Loan Fund (\$707,000).

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, 2005 AND 2004**

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

<b>FINDING NUMBER</b>	<b>2005-03</b>
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Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

In 2005, expenditures exceeded appropriations in the General Fund (\$22,054), Income Tax Fund (\$10,841), Law Enforcement Fund (\$2,442), Water Debt Service Fund (\$13,283), and Sewer Debt Service Fund (\$21,372), and in the Sewer Plant Fund (\$687,275).

<b>FINDING NUMBER</b>	<b>2005-04</b>
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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 appropriations in excess of available resources in the General Fund (\$168,544), Sewer Operating Fund (\$420,364), Sewer Plant Loan Fund (\$707,000), at year end in 2004.

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

**CORRECTIVE ACTION PLAN**

Finding Number	Planned Corrective Action:	Anticipated Completion Date:	Responsible Contact Person:
2005-01	The Village will implement procedures to ensure that purchase orders are prepared timely or that then and now certificates are implemented.	12/31/06	Kate Roesse, Clerk
2005-02	The Village will implement procedures to ensure that appropriations are limited to estimated resource limits.	12/31/06	Kate Roesse, Clerk
2005-03	The Village will implement procedures to ensure that expenditure commitments do not exceed appropriations limits.	12/31/06	Kate Roesse, Clerk
2005-04	The Village will implement procedures to ensure that appropriations do not exceed available resources.	12/31/06	Kate Roesse, Clerk

**VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2003-02	5705.39: Expenditures Exceeding Appropriations	No	Not Corrected, non-compliance noted in current audit. See 2005-02
2003-01	5705.41 (D): Purchase order prior to invoice date	No	Not Corrected, non-compliance noted in current audit. See 2005-01
2003-03	5705.41 (B): Expending funds without being appropriated.	No	Not Corrected, non-compliance noted in current audit, See 2005-03





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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  
DECEMBER 26, 2006**