

***VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Village Council
Village of Bergholz
256-1 Second Street
P. O. Box 242
Bergholz, Ohio 43908-0242

We have reviewed the *Report of Independent Accountants* of the Village of Bergholz, Jefferson County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2007 through December 31, 2008. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 Bergholz is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 13, 2009

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**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2008 and 2007**

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Bergholz
Jefferson County
256-1 Second Street
Bergholz, Ohio 43908-0242

To the Village Council:

We have audited the accompanying financial statements of the Village of Bergholz (Village), Jefferson County, Ohio as and for the years ended December 31, 2008 and 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 more fully 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, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2008 and 2007. While the Village does not follow GAAP, generally accepted auditing standards require 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 its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007, 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, 2008 and 2007, or its changes in financial position or cash flows 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 of the Village of Bergholz, Jefferson County as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2008 and 2007. The Village has not presented Management's Discussion and 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 August 24, 2009, 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

August 24, 2009

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Governmental Fund Types</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 22,304	\$ 1,425	\$ 23,729
Intergovernmental	77,317	20,697	98,014
Special Assessments	-	7,639	7,639
Fines Licenses & Permits	5,224	-	5,224
Earnings on Investments	36	-	36
Donations	10,750	-	10,750
Miscellaneous	5,107	300	5,407
Total Cash Receipts	120,738	30,061	150,799
Cash Disbursements:			
Current:			
Security of Persons & Property	20,416	4,721	25,137
Public Health Services	634	-	634
Basic Utility Services	2,376	499	2,875
Leisure Time Activities	1,000	-	1,000
Transportation	485	11,270	11,755
General Government	49,388	-	49,388
Capital Outlay	4,875	17,529	22,404
Total Cash Disbursements	79,174	34,019	113,193
Total Receipts Over/(Under) Disbursements	41,564	(3,958)	37,606
Other Financing Sources/(Uses):			
Transfer In	-	2,356	2,356
Transfer Out	(2,356)	-	(2,356)
Other Financing Uses	-	(12,055)	(12,055)
Total Other Financing Sources/(Uses)	(2,356)	(9,699)	(12,055)
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	39,208	(13,657)	25,551
Fund Cash Balance, January 1	29,815	51,331	81,146
Fund Cash Balance, December 31	\$ 69,023	\$ 37,674	\$ 106,697

See accompanying Notes to the Financial Statements.

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Governmental Fund Types</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 20,604	\$ 4,287	\$ 24,891
Intergovernmental	19,439	29,081	48,520
Fines Licenses & Permits	4,257	-	4,257
Earnings on Investments	179	-	179
Donations	10,000	-	10,000
Miscellaneous	4,446	-	4,446
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	58,925	33,368	92,293
Cash Disbursements:			
Current:			
Security of Persons & Property	19,252	3,919	23,171
Basic Utility Services	1,899	-	1,899
Transportation	943	25,397	26,340
General Government	35,433	-	35,433
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	57,527	29,316	86,843
Total Receipts Over/(Under) Disbursements	1,398	4,052	5,450
Other Financing Sources/(Uses):			
Sale of Fixed Assets	301	-	301
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources/(Uses)	301	-	301
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	1,699	4,052	5,751
Fund Cash Balance, January 1	28,116	47,279	75,395
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Fund Cash Balance, December 31	\$ 29,815	\$ 51,331	\$ 81,146
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See accompanying Notes to the Financial Statements.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2008**

		<u>Proprietary Fund types</u>
		<u>Enterprise Fund</u>
Operating Cash Receipts:		
Charges for Services	-	-
Total Operating Cash Receipts	-	-
Operating Cash Disbursements:		
Personal Services	-	-
Total Operating Cash Disbursements	-	-
Operating Income/(Loss)		-
Fund Cash Balance, January 1	\$	<u>6,456</u>
Fund Cash Balance, December 31	\$	<u>6,456</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

	<u>Proprietary Fund types</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise Fund</u>	<u>Agency Fund- Mayor's Court</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 357	-	\$ 357
Total Operating Cash Receipts	357	-	357
Operating Cash Disbursements:			
Personal Services	4,518	-	4,518
Total Operating Cash Disbursements	4,518	-	4,518
Operating Income/(Loss)	(4,161)	-	(4,161)
Non-Operating Cash Receipts/(Disbursements):			
Mayor's Court Receipts	-	\$ 3,137	3,137
Other Non-Operating Cash Disbursements	-	(3,137)	(3,137)
Total Non-Operating Cash Receipts/(Disbursements):	-	-	-
Net Receipts Over Disbursements	(4,161)	-	(4,161)
Fund Cash Balance, January 1	10,617	-	10,617
Fund Cash Balance, December 31	\$ 6,456	\$ -	\$ 6,456

See accompanying Notes to the Financial Statements.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Bergholz, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government, including water utilities, street repair and maintenance, police protection, and leisure time activities. 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.)

The 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 and investments that are restricted to use. The Village classifies its funds into the following types:

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

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

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING – (continued)

- **Street Construction, Maintenance, and Repair Fund:** This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Enterprise Fund: These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

- **Water Operating Fund -** This fund receives charges for services from residents to cover the cost of providing this utility. The Village transferred its water system and operations to Jefferson County in the fall of 2006.

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

- **Mayor's Court Fund -** This fund is used to account for all financial transactions of the Village's Mayor's Court. In 2008, the Village transferred the Mayor's Court operations to Jefferson County.

E. BUDGETARY PROCESS

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

- **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, program or function, department, 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. Appropriations lapse at year-end and re-appropriated.

- **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources. Appropriations may not exceed estimated resources.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS – (continued)

- **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are cancelled, and re-appropriated in the subsequent year.

A summary of budgetary activity appears in Note 4.

F. PROPERTY, PLANT, AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay 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.

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:

		<u>2008</u>		<u>2007</u>
Demand Deposits	\$	113,153	\$	87,602
Total Deposits	\$	<u>113,153</u>	\$	<u>87,602</u>

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

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2006.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

3. PROPERTY TAX – (continued)

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Village. Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30.

The Jefferson County Treasurer collects property tax on behalf of all taxing Villages within the county. The Jefferson County Auditor periodically remits to the taxing Village their portions of the taxes collected.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 53,000	\$ 120,738	\$ 67,738
Special Revenue	49,328	32,417	(16,911)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 89,876	\$ 81,530	\$ 8,346
Special Revenue	57,405	46,074	11,331

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 51,956	\$ 59,226	\$ 7,270
Special Revenue	35,270	33,368	(1,902)
Enterprise	200	357	157

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

4. BUDGETARY ACTIVITY – (continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures				
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance	
General	\$ 74,407	\$ 57,527	\$	16,880
Special Revenue	81,583	29,316		52,267
Enterprise	10,856	4,518		6,338

5. RETIREMENT SYSTEM

The Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, the Township's OPERS members contributed 10% and 9.5% of their gross salaries, respectively. The Village contributed an amount equal to 14% and 13.85% of participant's gross salaries, for each year. The Township has paid all contributions required through December 31, 2008.

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. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits that will materially affect the Village's financial condition.

8. COMPLIANCE

Contrary to Ohio Revised Code Sections 5705.14, the Village Clerk/Treasurer made improper transfers of funds. Also, contrary to Ohio Revised Code Section 5705.41(D), the Village did not properly certify certain disbursement transactions.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**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 Bergholz
Jefferson County
256 2nd Street
Bergholz, Ohio 43908

To the Village Council:

We have audited the financial statements of the Village of Bergholz, Jefferson County, Ohio (Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 24, 2009, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State of Ohio. 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 Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings, items 2008-Bergholz-002 and 003 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described in items 2008-Bergholz-002 and 003 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, grant agreements and other matters, 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 or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2008-Bergholz-001 through 003.

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

We noted certain matters that we have reported to management of the Village in a separate letter dated August 24, 2009.

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

Charles E. Harris & Associates, Inc.

August 24, 2009

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
SCHEDULE OF FINDINGS
December 31, 2008 & 2007

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

FINDING NUMBER 2008-Bergholz-001: Non-compliance Citation

Ohio Revised Code Section 5705.41 (D), requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the Clerk/Treasurer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a Clerk/Treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

"Then and Now" Certificate – If the Clerk/Treasurer can certify that both at the time the contract or order was made ("then"), and at the time that the Clerk/Treasurer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Clerk/Treasurer without an ordinance or resolution upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the Village.

Blanket Certificate – Clerk/Treasurers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by an ordinance or resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Clerk/Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item.

The Village did not properly certify the availability of funds for certain non-payroll expenditures tested. Thirty out of 60 (50%) transactions tested had purchase orders dated after the invoice date. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
SCHEDULE OF FINDINGS - (continued)
December 31, 2008 & 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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FINDING NUMBER 2008-Bergholz-001: Non-compliance Citation – (continued)

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the availability of funds prior to the commitment for the expenditure of Village money. The Village should consider the use of blanket purchase orders and "then and now" certificates to assist in complying with the above requirement.

Management Response:

Management identified this issue and is in the process of implementing a more strict policy on certifying expenditures prior to incurring the liability.

FINDING NUMBER 2008-Bergholz-002: Non-compliance Citation and Material Weaknesses

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

The Village Officers' Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During 2008, the Village classified several disbursement accounts as "Other Financing Sources", amounting to \$4,359 in the General Fund and \$17,529 in the Special Revenue Fund. These were reclassified into transportation, general government and capital outlay to reflect the proper purpose of the disbursement. In 2007, several receipt and disbursement accounts were also reclassified in the General and Special Revenue Funds.

We recommend the Village utilize available authoritative resources to appropriately classify its transactions.

Management Response:

Management has made strides in correcting the posting errors and will continue to make improvements.

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
SCHEDULE OF FINDINGS - (continued)
December 31, 2008 & 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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FINDING NUMBER 2008-Bergholz-003: Non-compliance Citation and Material Weakness

Ohio Rev. Code Section 5705.14 authorizes, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and of the Court of Common Pleas, may transfer from one fund to another any public funds under its supervision, *except* the proceeds or balances of:

- loans,
- bond issues,
- special levies for the payment of loans or bond issues,
- the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and
- the proceeds or balances of any license fees imposed by law for a specified purpose.

At the beginning of 2008, the Village turned over the operations of its Water Fund to Jefferson County. The Village improperly transferred the balance of its Water Fund to the General Fund without the approval of the Tax Commissioner and of the Court of Common Pleas. The transfer was reversed in the audit report and in the Village's books.

Management Response:

Management agrees and has transferred the money back to the Water fund and is awaiting legal determination on what to do with the excess money.

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
For the Years Ended December 31, 2008 and 2007

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-001	<p>Ohio Rev. Code Section 733.28- Keep books of Village accurate</p> <p>Ohio Rev. Code Section 733.43- Village books exhibit separate accounts for receipts and appropriations</p> <p>Ohio Rev. Code Section 733.45- Treasurer's report on financial condition at the first January meeting of the year</p>	Yes	Village has balanced its books with the bank. Village has converted to UAN in 2008.
2006-002	Ohio Rev. Code Section 5705.41(D)- Failure to certify funds	No	Not corrected. Issued as finding 2008-Bergholz-001



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 5, 2009**