

***VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

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



Mary Taylor, CPA

Auditor of State

Members of Village Council
Village of Bloomingburg
62 Main Street
Bloomingburg, Ohio 43106

We have reviewed the *Report of Independent Accountants* of the Village of Bloomingburg, Fayette 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 Bloomingburg 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

March 9, 2010

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**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2008 & 2007**

TABLE OF CONTENTS

| <u>Title</u> | <u>Page</u> |
|---|--------------------|
| Report of Independent Accountants | 1-2 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008 | 3 |
| Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances- Proprietary Fund Type- For the Year Ended December 31, 2008 | 4 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007 | 5 |
| Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances- Proprietary Fund Type- For the Year Ended December 31, 2007 | 6 |
| Notes to the Financial Statements | 7-15 |
| Schedule of Federal Awards Expenditures | 16 |
| Notes to the Schedule of Federal Awards Expenditures | 17 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i> | 18-19 |
| Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i> | 20-21 |
| Schedule of Findings and Questioned Costs | 22-24 |
| Schedule of Prior Audit Findings | 25 |

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Bloomingburg
Fayette County
62 Main Street
Bloomingburg, Ohio 43106

To Village Council:

We have audited the accompanying financial statements of the Village of Bloomingburg, Fayette County, Ohio (the Village), as of 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 revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. 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 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, where applicable 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 Bloomingburg, Fayette County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements and changes in fund cash balances 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 November 13, 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. 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the Village's financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Village. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Charles E. Harris & Associates, Inc.

November 13, 2009

VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY, OHIO
COMBINED STATEMENT OF CASH 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>Totals- (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|--|
| | <u>General</u> | <u>Special Revenue</u> | |
| Receipts: | | | |
| Property and Local Taxes | \$ 49,908 | \$ 1,996 | \$ 51,904 |
| Intergovernmental | 36,817 | 44,208 | 81,025 |
| Charges for Services | 4,070 | - | 4,070 |
| Fines, Licenses and Permits | 3,234 | 100 | 3,334 |
| Earnings on Investments | 2,814 | 1,288 | 4,102 |
| Miscellaneous | - | 520 | 520 |
| | <hr/> | <hr/> | <hr/> |
| Total Receipts | 96,843 | 48,112 | 144,955 |
| Disbursements: | | | |
| Security of Persons & Property | 65,963 | 57,785 | 123,748 |
| Public Health Services | 1,014 | - | 1,014 |
| Leisure Time Activities | 500 | 1,458 | 1,958 |
| Basic Utility Services | 25,522 | - | 25,522 |
| Transportation | - | 12,263 | 12,263 |
| General Government | 47,277 | - | 47,277 |
| | <hr/> | <hr/> | <hr/> |
| Total Disbursements | 140,276 | 71,506 | 211,782 |
| Total Receipts Over/(Under) Disbursements | (43,433) | (23,394) | (66,827) |
| Fund Cash Balance January 1, 2008 | 51,833 | 83,701 | 135,534 |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balance December 31, 2008 | \$ 8,400 | \$ 60,307 | \$ 68,707 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

See Accompanying Notes to the Financial Statements.

VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
All Proprietary Funds
For the Year Ended December 31, 2008

| | <u>Proprietary Fund Type Enterprise</u> |
|---|---|
| Receipts: | |
| Charges for Services | \$ <u>343,319</u> |
| Total Receipts | <u>343,319</u> |
| Disbursements: | |
| Personal Services | 78,541 |
| Employee Fringe Benefits | 7,892 |
| Contractual Services | 71,775 |
| Materials and Supplies | 89,326 |
| Other | <u>7,925</u> |
| Total Disbursements | <u>255,459</u> |
| Excess of Receipts Over (Under) Disbursements | <u>87,860</u> |
| Nonoperating Receipts (Disbursements): | |
| Loan Proceeds | 241,119 |
| Grants | 896,054 |
| Capital Outlay | (962,679) |
| Principal Retirement | (324,036) |
| Interest on Notes | <u>(13,725)</u> |
| Total Nonoperating Receipts (Disbursements) | <u>(163,267)</u> |
| Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements | <u>(75,407)</u> |
| Fund Balance, January 1, 2008 | <u>181,276</u> |
| Fund Balance, December 31, 2008 | <u>\$ <u>105,869</u></u> |

See Accompanying Notes to the Financial Statements.

**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY, OHIO
COMBINED STATEMENT OF CASH 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>Totals- (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|--|
| | <u>General</u> | <u>Special Revenue</u> | |
| Receipts: | | | |
| Property and Local Taxes | \$ 47,289 | \$ 6,663 | \$ 53,952 |
| Intergovernmental | 35,875 | 44,480 | 80,355 |
| Charges for Services | 10,328 | - | 10,328 |
| Fines, Licenses and Permits | 4,044 | 525 | 4,569 |
| Earnings on Investments | 12,421 | 3,832 | 16,253 |
| Miscellaneous | - | 938 | 938 |
| Total Receipts | <u>109,957</u> | <u>56,438</u> | <u>166,395</u> |
| Disbursements: | | | |
| Security of Persons & Property | 41,200 | 28,402 | 69,602 |
| Public Health Services | 1,640 | - | 1,640 |
| Leisure Time Activities | 550 | 692 | 1,242 |
| Basic Utility Services | 20,089 | - | 20,089 |
| Transportation | - | 9,121 | 9,121 |
| General Government | 43,421 | 1,000 | 44,421 |
| Total Disbursements | <u>106,900</u> | <u>39,215</u> | <u>146,115</u> |
| Total Receipts Over/(Under) Disbursements | 3,057 | 17,223 | 20,280 |
| Fund Cash Balance January 1, 2007 | <u>48,776</u> | <u>66,478</u> | <u>115,254</u> |
| Fund Cash Balance December 31, 2007 | <u>\$ 51,833</u> | <u>\$ 83,701</u> | <u>\$ 135,534</u> |

See Accompanying Notes to the Financial Statements.

VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
All Proprietary Funds
For the Year Ended December 31, 2007

| | | <u>Proprietary Fund Type Enterprise</u> |
|---|----|---|
| Receipts: | | |
| Charges for Services | \$ | <u>282,389</u> |
| Total Receipts | | <u>282,389</u> |
| Disbursements: | | |
| Personal Services | | 69,058 |
| Employee Fringe Benefits | | 4,352 |
| Contractual Services | | 52,312 |
| Materials and Supplies | | 58,211 |
| Other | | <u>10,137</u> |
| Total Disbursements | | <u>194,070</u> |
| Excess of Receipts Over (Under) Disbursements | | <u>88,319</u> |
| Nonoperating Receipts (Disbursements): | | |
| Intergovernmental | | 907 |
| Grants | | 225,048 |
| Capital Outlay | | (381,947) |
| Loan Proceeds | | 205,176 |
| Principal Retirement | | (103,492) |
| Interest on Notes | | <u>(12,900)</u> |
| Total Nonoperating Receipts (Disbursements) | | <u>(67,208)</u> |
| Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements | | 21,111 |
| Fund Balance, January 1, 2007 | | <u>160,165</u> |
| Fund Balance, December 31, 2007 | \$ | <u><u>181,276</u></u> |

See Accompanying Notes to the Financial Statements.

**VILLAGE OF BLOOMINGBURG
FAYETTE 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 Village of Bloomingburg, Fayette County (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government and employs a Village Administrator. Elected Officials include six council members, a clerk/treasurer, and a mayor. The Village provides various services including police and fire protection, park operations, street maintenance and repair, water and sewer utilities, and general administrative services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following 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

Investments are included in the 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.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of

VILLAGE OF BLOOMINGBURG
FAYETTE 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)

specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Village. 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 has the following significant Special Revenue fund:

- Street Construction, Maintenance and Repair Fund- Receives motor vehicle and gasoline taxes for constructing, maintaining and repairing Village roads.

Proprietary Fund Types:

Enterprise Funds:

To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

VILLAGE OF BLOOMINGBURG
FAYETTE 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)

The Village has the following significant Enterprise Funds:

- Water Operating Fund- Accounts for the provision of water to the residents and commercial users located within the Village.
- Sewer Operating Fund- Accounts for the provision of sewer maintenance to the residents and commercial users located within the Village.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk-Treasurer, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk-Treasurer by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue.

Budget receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2007 and 2008. However, those fund balances are available for appropriation.

VILLAGE OF BLOOMINGBURG
FAYETTE 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)

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

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 CASH EQUIVALENTS

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:

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

| | <u>2008</u> | <u>2007</u> |
|-----------------|------------------|------------------|
| Demand deposits | <u>\$174,576</u> | <u>\$316,810</u> |

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

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.

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

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

VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

4. BUDGETARY ACTIVITY

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

| <u>Fund:</u> | <u>2008 Budgeted vs Actual Receipts</u> | | <u>Variance</u> |
|-----------------------|---|----------------------------|-----------------|
| | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | |
| General Fund | \$ 98,131 | \$ 96,843 | \$ (1,288) |
| Special Revenue Funds | 46,824 | 48,112 | 1,288 |
| Enterprise Funds | 1,480,492 | 1,480,492 | - |

| <u>Fund:</u> | <u>2008 Budgeted vs Actual Budgetary Basis Expenditures</u> | | <u>Variance</u> |
|-----------------------|---|-----------------------------------|-----------------|
| | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | |
| General Fund | \$ 148,000 | \$ 140,276 | \$ 7,724 |
| Special Revenue Funds | 108,443 | 71,506 | 36,937 |
| Enterprise Funds | 1,697,370 | 1,555,899 | 141,471 |

| <u>Fund:</u> | <u>2007 Budgeted vs Actual Receipts</u> | | <u>Variance</u> |
|-----------------------|---|----------------------------|-----------------|
| | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | |
| General Fund | \$ 100,640 | \$ 109,957 | \$ 9,317 |
| Special Revenue Funds | 53,593 | 56,438 | 2,845 |
| Enterprise Funds | 822,790 | 713,520 | (109,270) |

| <u>Fund:</u> | <u>2007 Budgeted vs Actual Budgetary Basis Expenditures</u> | | <u>Variance</u> |
|-----------------------|---|-----------------------------------|-----------------|
| | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | |
| General Fund | \$ 126,017 | \$ 106,900 | \$ 19,117 |
| Special Revenue Funds | 68,438 | 39,215 | 29,223 |
| Enterprise Funds | 789,525 | 692,409 | 97,116 |

The Village was not in compliance with Ohio Revised Code 5705.39 in 2008 which limits appropriations to estimated resources (See Schedule of Findings and Questioned Costs).

VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

5. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 9.5% in 2007 and 10.0% in 2008 of their gross pay while the Village contributed an amount equal to 13.85% in 2007 and 14.00% in 2008 of covered payroll. The Village paid all required contributions through 2008.

6. RISK MANAGEMENT

Risk Pool Membership

The District belongs to the Public Entities Pool of Ohio ("PEP"), a risk sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$350,000 per occurrence, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, from General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

On January 1, 2005, APEEP began administering a risk-sharing property program. Under the new program, St. Paul Travelers will reinsure specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. APEEP will reinsure members for specific losses in excess of \$100,000 up to \$250,000 per occurrence, subject to annual aggregate loss payment. St. Paul Travelers provides aggregate stop-loss coverage based upon the combined Members' Total Insurable Value (TIV). If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, St. Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit.

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

6. RISK MANAGEMENT – (Continued)

Risk Pool Membership – (continued)

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 (latest information available).

| | <u>2008</u> | <u>2007</u> |
|-------------|----------------------|---------------------|
| Assets | \$ 35,769,535 | \$37,560,071 |
| Liabilities | (15,310,206) | (17,340,825) |
| Net Assets | <u>\$ 20,459,329</u> | <u>\$20,219,246</u> |

7. DEBT

Debt outstanding at December 31, 2008 is as follows:

| <u>Description:</u> | <u>Principal</u> | <u>Interest Rate</u> |
|---------------------|------------------|----------------------|
| Sewer Revenue Note | \$135,000 | 5.00% |
| OPWC Sewer Loan | 200,630 | 0.00% |
| OWDA-4878 | 222,119 | 0.00% |
| OWDA-4636 | 186,684 | 1.50% |
| Total | <u>\$744,433</u> | |

A Water Revenue Note was established in 1976 at an original amount of \$150,000 at 5% interest and was retired in 2008.

The Sewer Revenue Note was established in 1981 at an original cost of \$344,822 at 5% interest and is scheduled to expire in 2016. The loan is collateralized by sewer receipts.

The Ohio Public Works Commission (OPWC) loan was approved in 2002 in the amount of \$303,300 at 0% interest. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

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

7. DEBT - (Continued)

A loan (#4636) was received from the Ohio Water Development Authority (OWDA) in 2007 for sewer construction in the amount of \$198,225 at 1.50% interest. The loan was not fully disbursed at December 31, 2008 and repayment terms have not been determined.

The Village received a loan in the amount of \$318,000 from the OWDA (#4268) for planning the improvement of its wastewater treatment plant in 2005. The loan was paid off in 2008 with OWDA loan # 4878 which was received for the construction of the wastewater treatment plant in the amount of \$2,027,783 at 0% interest. The loan was not fully disbursed at December 31, 2008 and repayment terms have not been determined.

Principal and interest requirements for debt outstanding at December 31, 2008 is as follows:

| <u>Year</u> <u>Ended</u> | Sewer Revenue Note | OPWC Sewer Loan | OWDA #4878 | OWDA #4636 |
|-----------------------------|--------------------------|-----------------------|---------------|---------------|
| 2009 | \$ 19,750 | \$ 20,064 | Not | Not |
| 2010 | 19,100 | 20,064 | Available | Available |
| 2011 | 18,450 | 20,064 | | |
| 2012 | 17,800 | 20,064 | | |
| 2013 | 17,150 | 20,064 | | |
| 2014-2018 | 81,250 | 100,310 | | |
| Total | <u>\$ 173,500</u> | <u>\$ 200,630</u> | | |

8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

VILLAGE OF BLOOMINGBURG
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2008

| <u>Federal Grantor/Program Title</u> | <u>Grant #</u> | <u>CFDA #</u> | <u>Receipts Recognized</u> | <u>Program Expenditures</u> |
|---|----------------|---------------|--------------------------------|---------------------------------|
| <i><u>U.S. Department of Defense:</u></i> | | | | |
| Office of the Army Corp of Engineers | | | | |
| Project Cooperation Agreement for Wastewater Treatment Plant | Note 2 | Note 2 | \$ <u>767,263</u> | \$ <u>767,263</u> |
| Total U.S. Department of Defense | | | <u>767,263</u> | <u>767,263</u> |
| <i><u>U.S. Department of Housing and Urban Development:</u></i> | | | | |
| <i>Passed Through the Ohio Department of Development</i> | | | | |
| Small Cities Community Development Block Grant Program | C-W-07-220-1 | 14.228 | <u>128,791</u> | <u>128,791</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>128,791</u> | <u>128,791</u> |
| Total Federal Assistance | | | \$ <u><u>896,054</u></u> | \$ <u><u>896,054</u></u> |

See accompanying Note to the Schedule of Federal Awards Expenditures

VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY, OHIO
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2008

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Federal Identification Numbers

The U.S. Department of Defense/Army Corp of Engineers Project Cooperation Agreement for design and construction assistance for the Village's wastewater treatment plant has no grant number or catalog of federal domestic assistance number.

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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 REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Bloomingburg
Fayette County
62 Main Street
Bloomingburg, Ohio 43106

To Village Council:

We have audited the financial statements of the Village of Bloomingburg, Fayette County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated November 13, 2009, 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 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2008-BLOOM-02 to be a significant deficiency 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 deficiency described above to be a material weakness.

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 and Questioned Costs as items 2008-BLOOM-01 and 02.

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 November 13, 2009.

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

Charles E. Harris and Associates, Inc.

November 13, 2009

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

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Village of Bloomingburg
Fayette County
62 Main Street
Bloomingburg, Ohio 43106

To the Village Council:

Compliance

We have audited the compliance of the Village of Bloomingburg with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2008. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-BLOOM-03.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Village's ability to administer a federal program such that there is more than a remote likelihood that the Village's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Village's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of the internal control over compliance was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Village's response and accordingly, we express no opinion on it.

This report is intended for the information and use of the audit committee, management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

November 13, 2009

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY
December 31, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|---|---|
| (d)(1)(i) | <i>Type of Financial Statement Opinion</i> | Unqualified |
| (d)(1)(ii) | <i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i> | Yes |
| (d)(1)(ii) | <i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i> | No |
| (d)(1)(iii) | <i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i> | Yes |
| (d)(1)(iv) | <i>Were there any material internal control weaknesses reported for major federal programs?</i> | No |
| (d)(1)(iv) | <i>Were there any other significant control deficiencies reported for major federal programs?</i> | No |
| (d)(1)(v) | <i>Type of Major Programs' Compliance Opinion</i> | Unqualified |
| (d)(1)(vi) | <i>Are there any reportable findings under Section .510</i> | Yes |
| (d)(1)(vii) | <i>Major Programs:</i> | Project Cooperation Agreement (No CFDA # assigned) |
| (d)(1)(viii) | <i>Dollar Threshold: Type A\B Programs</i> | \$300,000 |
| (d)(1)(ix) | <i>Low Risk Auditee?</i> | No |

**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Years Ended December 31, 2008 and 2007**

| |
|---|
| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

Finding Number 2008-BLOOM-01-Noncompliance Citation

Appropriations Exceeded Estimated Resources

Ohio Revised Code Section 5705.39 states, in part, that "... The total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure there from, as certified by the budget commission..." This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources. Contrary to this requirement, the following fund had total appropriations in excess of estimated resources plus carryover balances:

| <u>2008</u> | | | |
|----------------------------|----------------------------|-----------------------|-----------------|
| <u>Fund</u> | <u>Estimated Resources</u> | <u>Appropriations</u> | <u>Variance</u> |
| Enterprise-Sewer Operating | \$1,410,722 | \$1,499,220 | \$(88,498) |

Management Response:

We did not receive a substantive response from management to the above finding.

Finding Number 2008-BLOOM-02-Noncompliance Citation and Material Weakness

Expenditures Misclassified/Loan Proceeds Not Recorded

Ohio Rev. Code Sections 733.28 and 733.43 state that the Fiscal Officer shall keep the books of the Village, exhibit accurate statements of all monies received and expended, of all property owned by the Village and the income derived therefrom, and of all taxes and assessments. Contrary to this requirement, there were transactions which were incorrectly recorded/ not recorded on the books of the Village:

- 1) Capital outlays were recorded as principal payments.
- 2) Federal reimbursements from the Army Corps of Engineers for waste water treatment plant improvements were recorded as loan proceeds.
- 3) The retirement of OWDA loan #4268 with the proceeds of OWDA loan #4878 was not recorded.

**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Years Ended December 31, 2008 and 2007**

| |
|---|
| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS-(Continued) |
|---|

**Finding Number 2008-BLOOM-02-Noncompliance Citation and Material
Weakness- (Continued)**

These recording errors resulted in financial statements which did not accurately reflect the activity of the Village. Accordingly, the management of the Village did not have the information necessary to make informed decisions regarding the Village's expenditures.

We recommend that the Fiscal Officer record all financial activity of the Village in accordance with the requirements of the Ohio Revised Code and follow the guidance provided in the Village Officers' Handbook.

The financial statements have been adjusted to reflect the proper accounting treatment of these transactions.

Management Response:

Management concurs with these adjustments and indicated they would request assistance from the Auditor of State as to the correct method of entering the above transactions into the UAN system.

| |
|--|
| 3. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS |
|--|

Finding Number 2008-BLOOM-03- Non-compliance Citation

31 U.S.C. 7502 (a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in federal awards to have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearinghouse within nine months after year-end. The Council did not file their annual with the Federal Audit Clearinghouse within the nine month period after the 2008 year-end.

We recommend that the Council have their audit completed and filed within the required nine month period after year-end.

Management Response:

Management indicated they would contract for an A-133 audit sooner to comply with this requirement.

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the two years ended December 31, 2006, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

VILLAGE OF BLOOMINGBURG

FAYETTE 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
MARCH 23, 2010