



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2013 and 2012
Fiscal Years Audited Under GAGAS: 2013 and 2012



Dave Yost • Auditor of State

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, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of South Bloomfield is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 16, 2014

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Village of South Bloomfield
Pickaway County, Ohio
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Independent Auditor's Report

Village of South Bloomfield
Pickaway County
5023 South Union Street
South Bloomfield, Ohio 43103

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of South Bloomfield, Pickaway County, (the Village), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cashflows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of South Bloomfield, Pickaway County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2014, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering the Village's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
May 29, 2014

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 65,468	\$ -	\$ 65,468
Municipal Income Tax	299,921	-	299,921
Intergovernmental	24,996	110,981	135,977
Special Assessments	456	1,883	2,339
Charges for Services	116,574	-	116,574
Fines, Licenses, and Permits	48,329	7,609	55,938
Earnings on Investments	1,383	4	1,387
Miscellaneous	1,377	3,974	5,351
	<u>558,504</u>	<u>124,451</u>	<u>682,955</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons & Property	278,192	-	278,192
Leisure Time Activities	330	35	365
Community Environment	3,498	-	3,498
Basic Utility Services	114,094	-	114,094
Transportation	44	80,525	80,569
General Government	169,325	-	169,325
	<u>565,483</u>	<u>80,560</u>	<u>646,043</u>
Total Cash Disbursements			
<i>Excess of Receipts Over (Under) Disbursements</i>	(6,979)	43,891	36,912
Other Financing Receipts (Disbursements):			
Other Sources	21,716	-	21,716
	<u>21,716</u>	<u>-</u>	<u>21,716</u>
Total Other Financing Receipts (Disbursements)			
<i>Net Change in Fund Cash Balances</i>	14,737	43,891	58,628
Fund Cash Balances, January 1	<u>(32,496)</u>	<u>206,680</u>	<u>174,184</u>
Restricted	-	250,571	250,571
Unassigned	<u>(17,759)</u>	<u>-</u>	<u>(17,759)</u>
Fund Cash Balances, December 31	<u>\$ (17,759)</u>	<u>\$ 250,571</u>	<u>\$ 232,812</u>

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 944,224	\$ -	\$ 944,224
Total Operating Cash Receipts	944,224	-	944,224
Operating Cash Disbursements			
Personal services	106,159	-	106,159
Fringe benefits	45,517	-	45,517
Contractual services	149,261	-	149,261
Supplies and Materials	48,000	-	48,000
Total Operating Cash Disbursements	348,937	-	348,937
<i>Operating Income (Loss)</i>	595,287	-	595,287
Non-Operating Receipts (Disbursements)			
Earnings on Investments	4	-	4
Tap Fees	81,348	-	81,348
Capital Outlay	(18,277)	-	(18,277)
Debt Service:			
Principal	(321,152)	-	(321,152)
Interest	(182,974)	-	(182,974)
Other Non-operating Receipts	-	40,505	40,505
Other Non-operating Disbursements	-	(41,286)	(41,286)
Total Non-Operating Receipts (Disbursements)	(441,051)	(781)	(441,832)
<i>Income (Loss) Before Transfers</i>	154,236	(781)	153,455
Transfers			
Transfers-In	41,689	-	41,689
Transfers-Out	(41,689)	-	(41,689)
Total Transfers	-	-	-
<i>Net Change in Fund Cash Balances</i>	154,236	(781)	153,455
Fund Cash Balances, January 1	373,104	23,114	396,218
Fund Cash Balances, December 31	\$ 527,340	\$ 22,333	\$ 549,673

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 72,368	\$ -	\$ 72,368
Municipal Income Tax	272,881	-	272,881
Intergovernmental	29,968	89,372	119,340
Special Assessments	148	3,101	3,249
Charges for Services	143,022	-	143,022
Fines, Licenses, and Permits	57,712	-	57,712
Earnings on Investments	915	-	915
Miscellaneous	1,675	6,563	8,238
	<u>578,689</u>	<u>99,036</u>	<u>677,725</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons & Property	282,180	880	283,060
Leisure Time Activities	723	1,008	1,731
Community Environment	5,377	-	5,377
Basic Utility Services	182,821	-	182,821
Transportation	783	98,771	99,554
General Government	175,760	-	175,760
Capital Outlay	-	7,120	7,120
	<u>647,644</u>	<u>107,779</u>	<u>755,423</u>
Total Cash Disbursements			
<i>Net Change in Fund Cash Balances</i>	(68,955)	(8,743)	(77,698)
Fund Cash Balances, January 1	<u>36,459</u>	<u>215,423</u>	<u>251,882</u>
Restricted	-	206,680	206,680
Unassigned	<u>(32,496)</u>	<u>-</u>	<u>(32,496)</u>
Fund Cash Balances, December 31	<u><u>\$ (32,496)</u></u>	<u><u>\$ 206,680</u></u>	<u><u>\$ 174,184</u></u>

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	691,223	\$ -	\$ 691,223
 Total Operating Cash Receipts	 691,223	 -	 691,223
Operating Cash Disbursements			
Personal services	94,509	-	94,509
Fringe benefits	36,936	-	36,936
Contractual services	176,483	250	176,733
Supplies and Materials	31,427	-	31,427
Other	1,502	-	1,502
 Total Operating Cash Disbursements	 340,857	 250	 341,107
 <i>Operating Income (Loss)</i>	 350,366	 (250)	 350,116
Non-Operating Receipts (Disbursements)			
Earnings on Investments	91	-	91
Tap Fees	37,680	-	37,680
Intergovernmental	72,495	-	72,495
Capital Outlay	(9,353)	-	(9,353)
Debt Service:			
Principal	(341,028)	-	(341,028)
Interest	(221,240)	-	(221,240)
Other Non-operating Receipts	-	66,556	66,556
Other Non-operating Disbursements	-	(71,784)	(71,784)
 Total Non-Operating Receipts (Disbursements)	 (461,355)	 (5,228)	 (466,583)
 <i>Income (Loss) Before Transfers and Advances</i>	 (110,989)	 (5,478)	 (116,467)
Transfers and Advances			
Transfers-In	400,000	-	400,000
Transfers-Out	(400,000)	-	(400,000)
 Total Transfers and Advances	 -	 -	 -
 <i>Net Change in Fund Cash Balances</i>	 (110,989)	 (5,478)	 (116,467)
 Fund Cash Balances, January 1	 484,093	 28,592	 512,685
 Fund Cash Balances, December 31	 \$ 373,104	 \$ 23,114	 \$ 396,218

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, 2012 AND 2013**

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, waste removal services, 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds:

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund receipts gasoline tax and motor vehicle license tax money to construct, maintain and repair Village streets.

State Highway Fund – This fund receipts permissive motor vehicle tax money to maintain and repair state highways that run through the Village.

3. Enterprise Funds:

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 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.

4. Fiduciary Funds (Agency Fund):

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. 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, 2012 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object by department level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 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 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (continued)

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2013**

2. EQUITY IN POOLED DEPOSITS

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

	<u>2013</u>	<u>2012</u>
Demand deposits	\$782,485	\$570,402
Total deposits:	<u>\$782,485</u>	<u>\$570,402</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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and December 31, 2012, was as follows:

2013 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$0	\$580,220	\$580,220
Special Revenue	0	124,451	124,451
Enterprise	<u>0</u>	<u>1,067,265</u>	<u>1,067,265</u>
Total	<u><u>\$0</u></u>	<u><u>\$1,771,936</u></u>	<u><u>\$1,771,936</u></u>

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2013**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$650,901	\$565,483	\$85,418
Special Revenue	99,833	80,560	19,273
Enterprise	<u>1,008,035</u>	<u>913,029</u>	<u>95,006</u>
Total	<u>\$1,758,769</u>	<u>\$1,559,072</u>	<u>\$199,697</u>

2012 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$644,500	\$578,689	(\$65,811)
Special Revenue	43,516	99,036	55,520
Enterprise	<u>671,954</u>	<u>1,201,489</u>	<u>529,535</u>
Total	<u>\$1,359,970</u>	<u>\$1,879,214</u>	<u>\$519,244</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$645,305	\$647,644	(\$2,339)
Special Revenue	114,430	107,779	6,651
Enterprise	<u>1,086,563</u>	<u>1,312,478</u>	<u>(225,915)</u>
Total	<u>\$1,846,298</u>	<u>\$2,067,901</u>	<u>(\$221,603)</u>

Contrary to Ohio Revised Code section 5705.41(B), budgetary expenditures exceeded appropriation authority in the General, Permissive Tax, and Sewer funds by \$2,339, \$28,554 and \$392,424, respectively for the year ended December 31, 2012. Due to the Village not filing a certificate of estimated resources, nearly all funds had appropriations in excess of estimated resources in 2013, contrary to Ohio Revised Code section 5705.39. Also contrary to Ohio Revised Code section 5705.10, at December 31, 2013 and 2012, the General and Sanitary Sewer Inspection funds had deficit cash balances.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2013**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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 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, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 0250	\$723,721	2%
Ohio Water Development Authority Loan 1000NR	336,468	7.21%
Ohio Water Development Authority Loan 1001NR	111,438	7.14%
Ohio Water Development Authority Loan 1001NRS2	47,525	7.38%
Ohio Water Development Authority Loan 4303	4,389,766	1.5 -3.99%
Ohio Public Works Commission Loan CQ017	63,204	0%
Ohio Water Development Authority Loan 1001NRS	119,323	6.51%
Total	<u>\$5,791,445</u>	

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2013**

6. DEBT (Continued)

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 \$9,148,357 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.

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:				
2014	\$84,422	\$90,344	\$27,282	\$28,720
2015	84,422	90,344	27,282	28,720
2016	84,422	90,344	27,282	28,720
2017	84,422	90,344	27,282	28,720
2018	84,422	45,172	27,282	28,720
2019-2023	337,689	0	0	0
2024	42,211	0	0	0
Totals	<u>\$802,010</u>	<u>\$406,548</u>	<u>\$136,410</u>	<u>\$143,600</u>

	OWDA Loan 1001NRS2	OPWC CQ017
Year Ending December 31:		
2014	\$11,709	12,641
2015	11,709	12,641
2016	11,709	12,641
2017	11,709	12,641
2018	11,709	12,640
Totals	<u>\$58,545</u>	<u>\$63,204</u>

*The loan for OWDA 4303 has not been finalized; therefore, an amortization schedule is not available.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2013**

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 are cost-sharing, multiple-employer plans. 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. From January 1, 2012 through July 1, 2013, OP&F participants contributed 10% of their wages, from July 2, 2013 through December 31, 2013, OP&F participants contributed 10.75% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 10% of gross wages. The Village contributed an amount equal to 14% of participants' gross wages. The Village has paid all contributions required through December 31, 2013.

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. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. COMPLIANCE

- The Village did not properly encumber all commitments as required by ORC Section 5705.41(D).
- The Village had a negative fund balance in the General Fund and the Sanitary Sewer Inspection Fund in 2013 and 2012 contrary to ORC Section 5705.10.
- The Village did not file a certificate of estimated resources with the County Auditor for 2013 as required by ORC Section 5705.39.
- The Village had expenditures in excess of appropriations in the General Fund the Permissive Tax Fund and the Sewer Fund in 2012 contrary to ORC Section 5705.41(B).
- The Village had \$99,000 in advances from the Water Fund to the Sewer Debt Service Fund which was contrary to ORC Section 5705.14. The Village also had transfers of \$10,000 and \$60,000 from the Water Debt Service Fund to the Sewer Fund and Sewer Debt Service Fund, respectively which were contrary to ORC Section 5705.14. These advances and transfers were reversed and corrected in the financial statements and adjustments have been made to properly reflect this activity in the Village's accounting system.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2013**

11. FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the governmental funds are presented below:

<u>2013 Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Restricted for			
Bridge & Street	\$ -	\$ 178,111	\$ 178,111
Parks	-	10,884	10,884
Police	-	41,432	41,432
Permissive Tax	-	20,144	20,144
Total Restricted	<u>-</u>	<u>250,571</u>	<u>250,571</u>
Unassigned (Deficit)	<u>(17,759)</u>	<u>-</u>	<u>(17,759)</u>
Total Fund Balances	<u>\$ (17,759)</u>	<u>\$ 250,571</u>	<u>\$ 232,812</u>

<u>2012 Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Restricted for			
Bridge & Street	\$ -	\$ 183,224	\$ 183,224
Parks	-	3,310	3,310
Police	-	12,443	12,443
Permissive Tax	-	7,703	7,703
Total Restricted	<u>-</u>	<u>206,680</u>	<u>206,680</u>
Unassigned (Deficit)	<u>(32,496)</u>	<u>-</u>	<u>(32,496)</u>
Total Fund Balances	<u>\$ (32,496)</u>	<u>\$ 206,680</u>	<u>\$ 174,184</u>

12. INTERFUND ACTIVITY

Transfers were made during 2013 and 2012 from the Water and Sewer funds to the Water and Sewer Debt Service Fund for the debt retirement obligations in the amounts of \$41,689 and \$400,000, respectively. These transfers were made in accordance with the Ohio Revised Code.



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Village of South Bloomfield
Pickaway County
5023 South Union Street
South Bloomfield, Ohio 43103

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of South Bloomfield, Pickaway County, (the Village) as of and for the years ended December 31, 2013 and 2012 and the related notes to the financial statements, and have issued our report thereon dated May 29, 2014, wherein we noted the Village followed financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-003, 2013-006, and 2013-007 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001, 2013-002, 2013-004, 2013-005, and 2013-007.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control testing and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
May 29, 2014

**Village of South Bloomfield
Pickaway County
Schedule of Findings
December 31, 2013 and 2012**

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

FINDING NUMBER	2013-001
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MATERIAL NONCOMPLIANCE

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 requirement:

- 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 used.

The Village should issue a valid 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’s 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.

Client Response: The Village will implement procedures to ensure that the certificate of the Fiscal Officer is obtained before funds are obligated for disbursement.

**Village of South Bloomfield
Pickaway County
Schedule of Findings (Continued)
December 31, 2013 and 2012**

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

FINDING NUMBER	2013-002
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MATERIAL NONCOMPLIANCE

Ohio Revised Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

The General Fund had fund balance deficits of \$17,759 and \$32,496 at year end 2013 and 2012, respectively. The Sanitary Sewer Inspection Fund had fund balance deficits of \$9,742 at year end 2013 and 2012.

The Village should implement monitoring procedures to ensure compliance with 5705.10, as well as the other budgetary compliance issues. The Auditor of State believes budgeting, properly used, proves the most important control a government has. It is impossible to incur a cash deficit if a government complies with the budgetary laws.

Client Response: The Village will implement procedures to more closely monitor the budget and fund balances.

FINDING NUMBER	2013-003
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MATERIAL WEAKNESS

Sound financial reporting is the responsibility of the fiscal officer and Village Council and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Village's internal controls over financial reporting. Misstatements were identified in the following areas:

- Property Tax revenues,
- Municipal Income Tax revenues,
- Intergovernmental revenues,
- Charges for Services revenues,
- Fines, License and Permits revenues,
- Miscellaneous revenues,
- General Government expense,
- Principal Payments expense,
- Interest and Fiscal Charges expense,
- Other Financing Sources
- Other Financing Uses
- Advances In
- Transfers In
- Advances Out
- Transfers Out
- Fund Balance

**Village of South Bloomfield
Pickaway County
Schedule of Findings (Continued)
December 31, 2013 and 2012**

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

FINDING NUMBER	2013-003 (continued)
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All of the above noted adjustments have been posted to the financial statements and to the Village's UAN accounting system.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Village Officer's Handbook for guidance on the correct line item to post various receipts and expenditures of the Village.

Client Response: The Fiscal Officer will be more aware of proper posting of revenues and expenditures.

FINDING NUMBER	2013-004
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MATERIAL NONCOMPLIANCE

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

The Village did not certify the ending fund balances to the County Auditor for 2012, and thus, a Certificate of Estimated Resources was not prepared for 2013. This caused for appropriations to be in excess of estimated resources for nearly all funds of the Village.

The Village should ensure that all required certifications of funding and estimated resources are filed with the County Auditor, in order to obtain a Certificate of Estimated Resources.

Client Response: The Village will implement procedures to more closely monitor the budget and fund balances.

FINDING NUMBER	2013-005
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MATERIAL NONCOMPLIANCE

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

The Village had expenditures in excess of appropriations in the General, Permissive Tax and Sewer funds in the amounts of \$2,339, \$28,544 and \$392,424, respectively, in 2012.

The Village should take due care to ensure close budgetary monitoring, and amend appropriations when necessary to ensure that all expenditures are properly appropriated.

Client Response: The Village will implement procedures to more closely monitor the budget and fund balances.

**Village of South Bloomfield
Pickaway County
Schedule of Findings (Continued)
December 31, 2013 and 2012**

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

FINDING NUMBER	2013-006
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MATERIAL WEAKNESS

The water rates approved by the Village Board of Public Affairs on May 28, 2013 were incorrectly input into the utility billing system. The Village was undercharging customers resulting in a loss of revenue.

We recommend that the Village recalculate a few bills after making any changes to the billing rates to ensure the rates were properly updated. Additionally, the Village should correct the rates in the billing system immediately and consider pursuing recovery of lost charges due to incorrect billing.

The Village should implement additional application and monitoring controls over utility billing to ensure that all rates changes are accurately processed.

Client Response: The Village has corrected the rates in the utility billing system, and will recalculate a few bills each month to ensure accuracy.

FINDING NUMBER	2013-007
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MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE

The Village advanced \$99,000 from the Water Fund to the Sewer Debt Service Fund. The Village transferred \$10,000 from the Water Debt Service Fund to the Sewer Fund and transferred \$60,000 from the Water Debt Service Fund to the Sewer Debt Service Fund. The advance and the transfers were not in accordance with ORC 5705.14. The advance and transfers of monies which was not in accordance with the Ohio Revised Code also represents a material weakness in internal control over the expenditure of public funds. The reasons for the advances and transfers were due to cash flow issues related to the Sewer and Sewer Debt Service Funds which the Village made to ensure such Funds did not end up with deficit cash balances.

We recommend that the Village take care to only advance or transfer monies in accordance with ORC 5705.14 and request an opinion from their legal counsel any time that there is any question regarding the legality of an advance or transfer.

Client Response: The Village now has implemented procedures to ensure that all transfers and advances are done in accordance with the Ohio Revised Code.

**Village of South Bloomfield
Pickaway County
Schedule of Prior Audit Findings
December 31, 2013 and 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	ORC 5705.41(D) Proper use of Purchase orders	No	Reissued as 2013-001
2011-002	OAC 117-2-02A Sufficient accounting system	Yes	
2011-003	ORC 5705.10 Deficit fund balance	No	Reissued as 2013-002
2011-004	AOS Bulletin 97-003 Approval of interfund advances	Yes	
2011-005	Sound financial reporting	No	Reissued as 2013-003



Dave Yost • Auditor of State

VILLAGE OF SOUTH BLOOMFIELD

PICKAWAY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 30, 2014**