

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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



Mary Taylor, CPA

Auditor of State

Village Council
Village of Bergholz
256-1 2nd Street
P O Box 242
Bergholz, Ohio 43908-0242

We have reviewed the *Report of Independent Accountants* of the Village of Bergholz, Jefferson County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Mary Taylor, CPA
Auditor of State

May 18, 2009

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VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2006 and 2005

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Bergholz (Village), Jefferson County, Ohio as and for the years ended December 31, 2006 and 2005. 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, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Bergholz, Jefferson County as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 April 15, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
April 15, 2009

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Governmental Fund Types</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 16,406	\$ 11,292	\$ 27,698
Intergovernmental	84,242	26,626	110,868
Fines Licenses & Permits	8,729	-	8,729
Earnings on Investments	250	-	250
Donations	11,821	-	11,821
Miscellaneous	2,422	-	2,422
Total Cash Receipts	123,870	37,918	161,788
Cash Disbursements:			
Current:			
Security of Persons & Property	46,007	6,350	52,357
Public Health Services	919	-	919
Leisure Time Activities	500	-	500
Community Environment	1,451	-	1,451
Transportation	71,623	24,950	96,573
General Government	53,107	-	53,107
Total Cash Disbursements	173,607	31,300	204,907
Total Receipts Over/(Under) Disbursements	(49,737)	6,618	(43,119)
Other Financing Sources/(Uses):			
Sale of Fixed Assets	950	-	950
Total Other Financing Sources/(Uses)	950	-	950
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	(48,787)	6,618	(42,169)
Fund Cash Balance, January 1	76,903	40,661	117,564
Fund Cash Balance, December 31	\$ 28,116	\$ 47,279	\$ 75,395

See accompanying Notes to the Financial Statements.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise Fund</u>	<u>Agency Fund</u>	
Operating Cash Receipts:			
Charges for Services	\$ 51,306	-	\$ 51,306
Total Operating Cash Receipts	51,306	-	51,306
Operating Cash Disbursements:			
Personal Services	40,892	-	40,892
Transportation	1,491	-	1,491
Contractual Services	7,849	-	7,849
Supplies & Materials	11,161	-	11,161
Total Operating Cash Disbursements	61,393	-	61,393
Operating Income/(Loss)	(10,087)	-	(10,087)
Non-Operating Cash Receipts/(Disbursements):			
Mayor's Court Receipts	-	\$ 8,959	8,959
Miscellaneous Receipts	1,027	-	1,027
Other Non-Operating Cash Disbursements	(3,212)	(8,959)	(12,171)
Total Non-Operating Cash Receipts/(Disbursements):	(2,185)	-	(2,185)
Net Receipts Over Disbursements	(12,272)	-	(12,272)
Fund Cash Balance, January 1	22,889	-	22,889
Fund Cash Balance, December 31	\$ 10,617	\$ -	\$ 10,617

See accompanying Notes to the Financial Statements.

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 17,759	\$ 8,650	\$ 26,409
Intergovernmental	29,821	25,442	55,263
Fines Licenses & Permits	9,209	-	9,209
Earnings on Investments	133	-	133
Donations	13,250	-	13,250
Miscellaneous	5,749	-	5,749
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	75,921	34,092	110,013
Cash Disbursements:			
Current:			
Security of Persons & Property	16,816	3,929	20,745
Public Health Services	767	-	767
Leisure Time Activities	2,635	-	2,635
Basic Utilities Services	1,759	-	1,759
Transportation	5,193	23,704	28,897
General Government	63,316	-	63,316
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	90,486	27,633	118,119
Total Receipts Over/(Under) Disbursements	(14,565)	6,459	(8,106)
Fund Cash Balance, January 1	<hr/> 91,468	<hr/> 34,202	<hr/> 125,670
Fund Cash Balance, December 31	\$ <u>76,903</u>	\$ <u>40,661</u>	\$ <u>117,564</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2005

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise Fund	Agency Fund	
Operating Cash Receipts:			
Charges for Services	\$ 67,196	-	\$ 67,196
Total Operating Cash Receipts	67,196	-	67,196
Operating Cash Disbursements:			
Personal Services	41,383	-	41,383
Transportation	2,435	-	2,435
Contractual Services	5,164	-	5,164
Supplies & Materials	5,943	-	5,943
Total Operating Cash Disbursements	54,925	-	54,925
Operating Income/(Loss)	12,271	-	(54,925)
Non-Operating Cash Receipts/(Disbursements):			
Mayor's Court Receipts	-	\$ 9,439	9,439
Miscellaneous Receipts	2,319	-	2,319
Other Non-operating Cash Disbursements	(2,494)	(9,439)	(11,933)
Total Non-Operating Cash Receipts/(Disbursements):	(175)	-	(175)
Net Receipts Over Disbursements	12,096	-	12,096
Fund Cash Balance, January 1	10,793	-	10,793
Fund Cash Balance, December 31	\$ 22,889	\$ -	\$ 22,889

See accompanying Notes to the Financial Statements.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH AND INVESTMENTS

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. FUND ACCOUNTING

The Village uses fund accounting to segregate cash and investments that are restricted to use. The Village classifies its funds into the following types:

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

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

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING – (Continued)

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

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

- **Water Operating Fund** - This fund receives charges for services from residents to cover the cost of providing this utility. The Village transferred its water system and operations to Jefferson County in the fall of 2006. In 2007, the remaining balance was turned over to the county and the fund was closed.

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

- **Mayor's Court Fund** - This fund is used to account for all financial transactions of the Village's Mayor's Court.

E. BUDGETARY PROCESS

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

- **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end and re-appropriated.

- **Estimated Resources**

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

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING – (Continued)

- **Encumbrances**

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

A summary of budgetary activity appears in Note 4.

F. PROPERTY, PLANT, AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

		<u>2006</u>		<u>2005</u>
Demand Deposits	\$	86,012	\$	140,453
Total Deposits	\$	<u>86,012</u>	\$	<u>140,453</u>

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

3. PROPERTY TAX

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

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

3. PROPERTY TAX - (continued)

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

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

Public utilities are also taxed on personal and real property located within the Village.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30.

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 108,576	\$ 124,820	\$ 16,244
Special Revenue	33,500	37,918	4,418
Enterprise	51,040	52,333	1,293
Total	\$ 193,116	\$ 215,071	\$ 21,955

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 127,530	\$ 173,607	\$ (46,077)
Special Revenue	73,294	31,300	41,994
Enterprise	73,929	64,605	9,324
Total	\$ 274,753	\$ 269,512	\$ 5,241

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

4. BUDGETARY ACTIVITY - (continued)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 57,897	\$ 75,921	\$ 18,024
Special Revenue	32,920	34,092	1,172
Enterprise	70,791	69,515	(1,276)
Total	\$ 161,608	\$ 179,528	\$ 17,920

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 148,565	\$ 90,486	\$ 58,079
Special Revenue	67,122	27,633	39,489
Enterprise	81,584	57,419	24,165
Total	\$ 297,271	\$ 175,538	\$ 121,733

5. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2005, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries during the years. For 2006, OPERS members contributed 9% of their wages. The Village contributed an amount equal to 13.70% of participants' gross salaries during the year. The Village has paid all contributions required through December 31, 2006 and 2005.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles; and
- Errors and omissions.

**VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

7. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

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

8. COMPLIANCE

Contrary to Ohio Revised Code Sections 733.28, 733.43 and 733.45, the Village Clerk/Treasurer failed to keep the books of the Village, exhibit accurate statements of all moneys received and expended and to report to the Village Council on the financial condition of the Village. Also contrary to Ohio Revised Code Section 5705.41(D), the Village did not properly certify disbursements of 43 out of 60 disbursement transactions tested.

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Village of Bergholz
Jefferson County
256 2nd Street
Bergholz, Ohio 43908

To the Village Council:

We have audited the financial statements of the Village of Bergholz, Jefferson County, Ohio (Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 15, 2009, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State of Ohio. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2006-Bergholz-001 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 in item 2006-Bergholz-001 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 as items 2006-Bergholz-001, 002, 003 and 004.

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 April 15, 2009.

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

Charles E. Harris & Associates, Inc.
April 15, 2009

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
SCHEDULE OF FINDINGS
December 31, 2006 & 2005

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

FINDING NUMBER 2006-Bergholz-001: Noncompliance and Material Weakness

Ohio Revised Code Section 733.28 provides in part that the village clerk shall keep books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived therefrom, and of all taxes and assessments.

Ohio Revised Code Section 733.43 provides in part that the village treasurer shall so arrange the books so that the amounts received and paid on accounts of separate funds, or specified appropriations, shall be exhibited in separate accounts.

Ohio Revised Code Section 733.45 provides in part that at the first January meeting of Village Council each year, the treasurer shall report on the village financial condition, including amounts of receipts, disbursements and accounts. The balance of each fund shall also be reported.

The Fiscal Officer did not keep accurate records of all moneys received and expended by the Village. The annual report that was prepared could not be traced to the detail transactions shown in the books. As such, certain revenue and expenditure accounts were overstated/understated. Also, homestead and rollback revenues were recorded as Property taxes instead of Intergovernmental revenues. Furthermore, the 2005 and 2006 bank reconciliations did not tie to the Village records. These bank reconciliations had to be subsequently completed prior to the audit. Adjustments were made in the audit report and the village books.

The Village Fiscal Officer should keep an accurate account of all moneys received and expended by the Village. The Fiscal Officer should also complete accurate monthly bank reconciliations, which would effectively disclose bookkeeping errors. The Village Fiscal Officer should also prepare accurate financial reports for Village Council, including amounts of receipts, disbursements and balances of each fund.

Management Response:

The new Fiscal Officer has balanced the books as of the date of this report. Also, the Village has converted to the UAN system to improve the accounting and reporting of financial activity.

FINDING NUMBER 2006-Bergholz-002: Non-compliance

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

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

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
SCHEDULE OF FINDINGS - (continued)
December 31, 2006 & 2005

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)

FINDING NUMBER 2006-Bergholz-002: Non-compliance – (continued)

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

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

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

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

The Village did not properly certify the availability of funds for 43 of 60 (72%) non-payroll expenditures tested for the audit period: there were no purchase orders for 42 disbursements; one purchase order was dated after the invoice date; and four transactions were signed by the Village Administrator and not the Village Clerk/Treasurer. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

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

Management Response:

The new Fiscal Officer has implemented procedures to certify expenditures prior to the disbursement of funds.

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
SCHEDULE OF FINDINGS - (continued)
December 31, 2006 & 2005

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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FINDING NUMBER 2006-Bergholz-003: Non-compliance

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided by such chapter. The following funds were found to have expenditures plus encumbrances exceeding appropriations in 2006:

Fund	Appropriations	Budgetary Expenditures	Variance
General Fund	\$127,530	\$173,607	\$(46,077)
Special Revenue Fund: Fire Levy	3,500	6,350	(2,850)

The Fiscal Officer should not certify the availability of funds and should deny payments requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Management Response:

Management will monitor appropriations versus expenditures more closely to avoid such deficiencies in the future.

FINDING NUMBER 2006-Bergholz-004: Non-compliance

Ohio Rev. Code Sections 731.14 states that generally, all contracts made by the legislative authority of a municipal government for material and labor which exceed \$25,000 are subject to competitive bidding procedures. Competitive bidding procedures require that a contract be entered into in writing with the lowest and best bidder after advertisement of the proposal for bids for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the municipality. Ohio Rev. Code Section 731.12 (villages), states that interest in contracts by elected officials. These sections prohibit elected officials from having any pecuniary interest in a contract or to be otherwise employed by the entity. They also provide that contracts are void unless authorized at a regular or special meeting. Ohio Rev. Code Section 2921.42 prohibits having an unlawful interest in a public contract.

The Village purchased a police car for \$26,425 without public bidding. There was no record of it being discussed or approved in the minutes. The Village also awarded construction contracts greater than \$25,000 for its street paving and repairs but it could not show proof that the contracts were bid out, that the Village advertised for bids, nor that the lowest and best bid was accepted or deliberated on by Council.

We recommend that the Village follow the applicable Ohio Revised Code requirements for advertising, bidding and evaluating all contracts over the stipulated amount.

Management Response:

Management will properly advertise and evaluate all future contracts.

VILLAGE OF BERGHOLZ
JEFFERSON COUNTY, OHIO
For the Years Ended December 31, 2006 and 2005

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-001	<p>Ohio Rev. Code Section 733.28- Keep books of Village accurate</p> <p>Ohio Rev. Code Section 733.43- Village books exhibit separate accounts for receipts and appropriations</p> <p>Ohio Rev. Code Section 733.45- Treasurer's report on financial condition at the first January meeting of the year</p>	No	Not corrected. Issued as finding 2006-Bergholz-001
2004-002	Ohio Rev. Code Section 5705.41(D)- Failure to certify funds	No	Not corrected. Issued as finding 2006-Bergholz-002



Mary Taylor, CPA
Auditor of State

VILLAGE OF BERGHOLZ

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 28, 2009