



Dave Yost • Auditor of State

VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Bloomingburg, Fayette County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy 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, 2012 and 2011, or changes in financial position thereof for the year 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 Bloomingburg, Fayette County as of December 31, 2012 and 2011, 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Village of Bloomingburg adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Matter

The Village has suffered recurring losses from operations and has a fund balance deficiency of \$28,819 in the General Fund as of December 31, 2012. Based solely on inquiries and scanning of unaudited fund cash balances as of November 4, 2013, the Village may require additional revenue or cost-cutting measures to continue paying its obligations when due. The notes to the financial statements do not disclose this matter; however it does not affect our opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

November 4, 2013

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**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES**

FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$41,128		\$41,128
Intergovernmental	32,699	41,509	74,208
Special Assessments	1,138		1,138
Charges for Services	2,207		2,207
Fines, Licenses and Permits	3,700	148	3,848
Earnings on Investments	1,245	365	1,609
Miscellaneous	14,801	6,585	21,386
<i>Total Cash Receipts</i>	<u>96,918</u>	<u>48,606</u>	<u>145,524</u>
Cash Disbursements			
Current:			
Security of Persons and Property	37,119	24,136	61,255
Public Health Services	2,724	0	2,724
Leisure Time Activities	1,150	74	1,224
Basic Utility Services	12,353	1,201	13,554
Transportation	0	25,068	25,068
General Government	45,385	2,680	48,065
<i>Total Cash Disbursements</i>	<u>98,731</u>	<u>53,159</u>	<u>151,890</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,813)</u>	<u>(4,552)</u>	<u>(6,366)</u>
Other Financing Receipts (Disbursements)			
Transfers In	0	1,000	1,000
Transfers Out	(41,000)		(41,000)
Other Financing Uses	(11,778)		(11,778)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(52,778)</u>	<u>1,000</u>	<u>(51,778)</u>
<i>Net Change in Fund Cash Balances</i>	(54,591)	(3,552)	(58,143)
<i>Fund Cash Balances, January 1</i>	<u>25,772</u>	<u>73,481</u>	<u>99,253</u>
Fund Cash Balances, December 31			
Restricted	0	69,929	69,929
Unassigned (Deficit)	(28,819)	0	(28,819)
<i>Fund Cash Balances, December 31</i>	<u>(\$28,819)</u>	<u>\$69,929</u>	<u>\$41,110</u>

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

**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY**

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

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$346,623
Miscellaneous	31,510
	<u>378,133</u>
<i>Total Operating Cash Receipts</i>	<u>378,133</u>
Operating Cash Disbursements	
Personal Services	69,006
Employee Fringe Benefits	9,903
Contractual Services	76,518
Supplies and Materials	35,899
Other	101,764
	<u>293,090</u>
<i>Total Operating Cash Disbursements</i>	<u>293,090</u>
<i>Operating Income (Loss)</i>	<u>85,043</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	218,475
Other Debt Proceeds	20,069
Capital Outlay	(232,312)
Principal Retirement	(90,804)
Interest and Other Fiscal Charges	(33,293)
	<u>(117,864)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(117,864)</u>
<i>Income (Loss) before Transfers</i>	(32,821)
Transfers In	40,000
	<u>7,179</u>
<i>Net Change in Fund Cash Balances</i>	<u>7,179</u>
<i>Fund Cash Balances, January 1</i>	<u>233,362</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$240,541</u></u>

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

**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES**

FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$46,157		\$46,157
Intergovernmental	41,581	40,647	82,227
Charges for Services	3,870		3,870
Fines, Licenses and Permits	3,389		3,389
Earnings on Investments	3,134	1,225	4,359
Miscellaneous	2,021	354	2,375
<i>Total Cash Receipts</i>	<u>100,152</u>	<u>42,226</u>	<u>142,378</u>
Cash Disbursements			
Current:			
Security of Persons and Property	40,950	51,951	92,901
Public Health Services	1,969		1,969
Leisure Time Activities	800	75	875
Basic Utility Services	11,646	1,150	12,796
Transportation	0	9,500	9,500
General Government	40,811	4,145	44,956
<i>Total Cash Disbursements</i>	<u>96,176</u>	<u>66,820</u>	<u>162,996</u>
<i>Net Change in Fund Cash Balances</i>	3,976	(24,594)	(20,618)
<i>Fund Cash Balances, January 1</i>	<u>21,796</u>	<u>98,075</u>	<u>119,871</u>
Fund Cash Balances, December 31			
Restricted	0	73,481	73,481
Unassigned (Deficit)	25,772	0	25,772
<i>Fund Cash Balances, December 31</i>	<u><u>\$25,772</u></u>	<u><u>\$73,481</u></u>	<u><u>\$99,253</u></u>

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

**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$359,973
Miscellaneous	41,443
	401,416
<i>Total Operating Cash Receipts</i>	<i>401,416</i>
Operating Cash Disbursements	
Personal Services	67,074
Employee Fringe Benefits	4,957
Contractual Services	83,797
Supplies and Materials	74,147
Other	203,195
	433,169
<i>Total Operating Cash Disbursements</i>	<i>433,169</i>
<i>Operating Income (Loss)</i>	<i>(31,753)</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	101,795
Other Debt Proceeds	224,883
Capital Outlay	(188,402)
Principal Retirement	(146,558)
Interest and Other Fiscal Charges	(21,361)
	(29,642)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(29,642)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(61,394)</i>
<i>Fund Cash Balances, January 1</i>	<i>294,756</i>
<i>Fund Cash Balances, December 31</i>	<i>\$233,362</i>

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

**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Bloomingburg, Fayette County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts with the Fayette County Sheriff's department to provide security of persons and property. The Village contracts with BPM to receive fire protection services

The Village's management believes these financial statements present 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 and investments that are 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.

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 receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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:

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

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

1. Appropriations

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

2. 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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 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.

**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

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

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

2. Change in Accounting Principle

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Equity in Pooled Deposits and Investments

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

	2012	2011
Total demand deposits	\$281,651	\$332,615

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

4. Budgetary Activity

Budgetary activity for the years ending December 31, follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$105,314	\$96,918	(\$8,396)
Special Revenue	59,635	49,607	(10,028)
Enterprise	728,225	656,677	(71,548)
Total	\$893,174	\$803,202	(\$89,972)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$185,050	\$151,509	\$33,541
Special Revenue	98,650	53,159	45,491
Enterprise	773,150	649,499	123,651
Total	\$1,056,850	\$854,167	\$202,683

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$153,780	\$100,152	(\$53,628)
Special Revenue	57,236	42,226	(15,010)
Enterprise	687,087	728,094	41,007
Total	\$898,103	\$870,472	(\$27,631)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$96,176	(\$96,176)
Special Revenue	0	66,820	(66,820)
Enterprise	0	789,490	(789,490)
Total	\$0	\$952,486	(\$952,486)

**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

Contrary to Ohio law, the Village did not adopt an appropriation resolution, nor was an appropriation resolution filed with the County Auditor for 2011.

5. 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.

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

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

6. Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer Revenue Note	\$74,000	5%
OPWC - CO17F	130,410	0%
OPWC -CT51O	*	0%
OWDA - 4878	*	0%
OWDA - 4636	167,935	2%
OWDA - 5885	72,840	2%
Total	<u>\$445,185</u>	

The Sewer Revenue Note was established in 1981 at an original cost of \$344,822 at 5% interest and is scheduled to expire in 2018. 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 requirements.

A loan (#4636) was received from the Ohio Water Development Authority (OWDA) in 2007 for sewer construction in the amount of \$198,225 at 1.5% interest.

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, 2012 and repayment terms have not been determined.

**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. (Continued)

The Village entered into a loan (CT510) with Ohio Public Works Commission (OPWC) in 2011 for sewer separation improvement in the amount of \$47,510 at 0% interest. The loan was not fully disbursed at December 31, 2012 and repayment terms have not been determined.

A loan (#5885) was received from the Ohio Water Development Authority (OWDA) in 2011 for a new well in the amount of \$75,400 at 2% interest.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Sewer		
	Revenue Note	*OPWC Loans	*OWDA Loans
2013	\$20,700	\$20,063	\$11,435
2014	20,850	20,063	11,435
2015	19,950	20,063	11,435
2016	21,088	20,063	11,435
2017		20,063	11,435
2018-2022		30,095	57,174
2023-2027			57,174
2028-2032			57,174
2033-2037			57,174
2038-2042			13,418
Total	\$82,588	\$130,410	\$299,289

*OPWC Loan #CT510 and OWDA Loan #4878 have not been fully drawn as of December 31, 2012. As such, a final amortization schedule is not available

7. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

The aforementioned casualty and property reinsurance agreement does 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 with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$12,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$12,900	\$12,900

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Bloomingburg, Fayette County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. And wherein we noted the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. And wherein we noted the Village has suffered recurring losses from operations and has a fund balance deficiency of \$28,819 in the General Fund as of December 31, 2012.

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 a 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. We consider finding 2012-002 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-001 described in the accompanying schedule of findings to be a significant deficiency.

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 2012-003 through 2012-006.

Purpose of this Report

This report only describes the scope of our internal control 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

November 4, 2013

VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Plan for adequate segregation of duties or compensating controls.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.

Disbursements and Bookkeeping

We identified the following conditions related to disbursements and bookkeeping:

- Invoices were not always attached to the voucher packet to support the validity of the expenditure. We were able to perform alternative audit procedures to determine that disbursements tested were for a proper public purpose and posted accurately;
- Multiple overpayments were noted in the voucher folders resulting in refunds to the Village;
- Multiple invoices indicated past due amounts with late fees being assessed and being paid by the Village;
- Bookkeeping errors were not detected by management.
- The fiscal officer processed all the financial record keeping including receipting, posting, and reconciling to the depository; and the Village did not implement controls to compensate for the lack of segregation of duties.

Failure to accurately prepare the accounting records 1) reduces the accountability over Village funds, 2) reduces the Council's ability to monitor financial activity and make informed financial decisions, and 3) increases the risk that errors, theft or fraud could occur and not be detected in a timely manner. We recommend the Village officials and management implement the following controls:

- All documentation to support expenditures should be kept on file and presented for audit;
- Officials should periodically review the accounting records and financial statements to determine the accuracy and timeliness of payments and to assure that proper procedures are performed by the fiscal officer;
- Village Council should monitor financial activity.

**FINDING NUMBER 2012-001
(Continued)**

- Then and Now Purchase Orders should only be used for unexpected expenditures. Regular and Blanket purchase orders should be used for routine expenditures.

Debt Documentation

The Village was not able to provide adequate debt documents for audit. The Village did not maintain the Ohio Water Development Authority and Ohio Public Works Commission debt agreements or supporting documentation.

The required debt instruments were on file at the Ohio Water Development Authority for review; however, we noted that the Village did not maintain most of the documents and reports relating to the Village's debt activity. The Village's involvement in the compliance of debt requirements is a significant control. Without this involvement, the officials could be unaware of outstanding debt owed by the Village.

We recommend the Village establish a list of all debt they have incurred. A tickler file should be maintained to determine when payments are due, interest paid, outstanding principal and the proceeds of any new debt issued. The Village officials should review debt requirements, and exhibit more involvement in the process of obtaining debt and the payments of debt. This process should help increase accountability over the Village's debt and will enable the Village to determine that debt activity is properly recorded with timely payments being made to avoid any late fees assessments and potential default on debt.

Payroll

During our review of payroll expenditures we noted that the amounts recorded in the Village's payroll system did not agree to the amounts being remitted to the IRS and OPERS. We noted several letters from OPERS documenting incorrect information submitted. Incorrect and untimely payments to both the IRS and OPERS can result in significant liabilities in the form of late payment fees, penalties and interest to the Village. We recommend the Village contact the Internal Revenue Service and Ohio Public Employees Retirement System to determine any necessary action to correct this situation.

Officials' Response:

The officials did not respond to this finding.

FINDING NUMBER 2012-002

Material Weakness

Ohio Administrative Code section 117-2-02 requires all public officials to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The Village lacked management oversight in the proper reporting of tax, miscellaneous and intergovernmental receipts, and proceeds of debt on the financial statements. This lack of oversight is illustrated by the following:

- Intergovernmental receipts in the amount of \$10,699 and \$8,977 were posted as taxes in 2011 and 2012, respectively. Special assessments receipts in the amount of \$1,138 were posted as taxes during 2012.

**FINDING NUMBER 2012-002
(Continued)**

- Real Estate taxes were posted at net rather than the gross amount, less auditor and treasurer fees in both 2011 and 2012.
- Permissive Motor Vehicle Levy monies in the amount of \$5,480 and \$5,585 were posted in the Street Construction Fund and State Highway Fund in 2011 and 2012 respectively, these monies should have been recorded in the Permissive Motor Vehicle Levy Fund as intergovernmental receipts.
- The Village did not properly record Gas Excise Tax and State & Local Highway Distributions at the proper percentages for the Village. This resulted in a fund balance adjustment in the amount of \$8,936.46 for 2011 and \$5,988.72 for 2012.
- Ohio Public Works monies were reported as Charges for Services instead of Intergovernmental Receipts in 2011 in the amount of \$48,227.
- The receipts and disbursements of Ohio Public Works Commission and Ohio Water Development Authority funds spent on behalf of the Village were not recorded in the amount of \$185,896 for 2011 and \$224,678 for 2012.
- Intergovernmental receipts from the USA Corps of Engineers were recorded as Sale of Notes resulting in the amount of \$17,555 in the Sewer Fund during 2011.
- Miscellaneous receipts were reported as Fines, Licenses and permits in the amount of \$6,135 in the Street Construction Fund during 2012.
- Miscellaneous receipts were reported as Charges For Services in the amount of \$6,638 in the General Fund during 2012.
- Miscellaneous receipts were reported as Charges For Services in the amount of \$6,135 in both the Water and Sewer Fund during 2012.
- OWDA & OPWC principal payments were posted as Interest and Fiscal Charges in the amount of \$60,726, during 2011.
- OWDA principal and interest payments were posted as Supplies and Material in the amount of \$2,313, during 2011.
- OWDA Principal and Interest payments were paid from the Sewer fund and should have been paid from the Water fund in the amount of \$2,313, during 2012.

Audit adjustments and reclassifications were made to the Village's financial statements and accounting records to properly account for the above errors.

Failure to accurately post and report transactions could result in material errors in the Village's financial statements and reduces the Village's ability and the ability of individual departments within the Village to monitor financial activity and to make sound decisions which effect the overall available cash position of the Village. We recommend officials review the chart of accounts to assure that items are being posted to the proper account codes and funds.

**FINDING NUMBER 2012-002
 (Continued)**

Officials' Response:

The officials did not respond to this finding.

FINDING NUMBER 2012-003

Noncompliance

Ohio Rev. Code, Section 5705.38(A), requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. The Village did not approve or file appropriations with the County Auditor for the fiscal year 2011

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds had expenditures which exceeded appropriations:

2011	Appropriations	Expenditures + Outstanding Encumbrances	Variance
General Fund	\$0	\$96,176	(\$96,176)
Street Maintenance, Construction & Repair Fund	0	60,460	(60,460)
State Hwy Fund	0	5,987	(5,987)
Parks & Recreation Fund	0	372	(372)
Water Fund	0	257,263	(257,263)
Sewer Fund	0	527,350	(527,350)
Water Deposit Fund	0	4,876	(4,876)

Failure of the Village to approve and file appropriations does not allow for the Village officials to monitor its budgetary position and could result in overspending and negative fund balances. We recommend the Clerk deny any payments until the legislative authority has passed the necessary changes to the appropriation measure. The management of the Village should monitor the Village's budgetary receipts and expenditures by having the clerk provide budgetary reports at least quarterly. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which affect the overall cash position of the Village.

Officials' Response:

The officials did not respond to this finding.

FINDING NUMBER 2012-004

Noncompliance

Ohio Rev. Code, Section 5705.10(H), provides that money paid into a fund must be used only for the purposes for which such fund was established. The General Fund had a negative fund balance at December 31, 2012 in the amount of (\$28,819). This deficit balance indicates money from other funds was used to cover the expenditures of this fund, contrary to Ohio law.

**FINDING NUMBER 2012-004
(Continued)**

Failure to monitor budgetary activity can result in overspending and negative fund balances. The management of the Village should monitor the Village's budgetary receipts and expenditures by having the clerk provide budgetary reports at least quarterly to be reviewed and approved by Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which affect the overall cash position of the Village.

Officials' Response:

The officials did not respond to this finding.

FINDING NUMBER 2012-005

Noncompliance

Ohio Rev. Code, Section 5705.41(D)(1), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. 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 fiscal officer'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.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer 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 fiscal officer without a resolution or ordinance 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 expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance 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.

FINDING NUMBER 2012-005
(Continued)

3. 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 fiscal officer 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 appropriation.

The availability of funds was not certified prior to the time of commitment in 44% (24/55) of expenditures tested nor did the Village use the aforementioned exceptions. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly encumber could result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

The officials did not respond to this finding.

FINDING NUMBER 2012-006

Noncompliance

Ohio Rev. Code, Section 149.351, provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42, Revised Code.

The Village did not provide the following documentation requested for audit:

1. IRS W-4 forms
2. IRS 941 forms
3. OPERS membership enrollment forms
4. OPERS remittance forms
5. OH IT 4 forms

**FINDING NUMBER 2012-006
(Continued)**

The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

Officials' Response:

The officials did not respond to this finding.

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**VILLAGE OF BLOOMINGBURG
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	ORC 733.28 and 733.43, transactions misclassified, loan proceeds not recorded.	No	Reissued as 2012-002
2010-002	ORC 149.351, destruction of records.	No	Reissued as 2012-006
2010-003	ORC 5705.41(D)(1), expenditures not properly encumbered.	No	Reissued as 2012-005

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Dave Yost • 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
NOVEMBER 26, 2013**