



**Auditor of State  
Betty Montgomery**



VILLAGE OF BOWERSTON  
HARRISON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Types - For the Year Ended December 31, 2004 .....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003 .....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Types - For the Year Ended December 31, 2003 .....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	19

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**Auditor of State  
Betty Montgomery**

Village of Bowerston  
Harrison County  
P.O. Box 2  
205 Water Alley  
Bowerston, Ohio 44695

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

December 20, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Bowerston  
Harrison County  
P O Box 2  
205 Water Alley  
Bowerston, Ohio 44695

To the Village Council:

We have audited the accompanying financial statements of Village of Bowerston, Harrison County, (the Village) as of and for the years ended December 31, 2004 and 2003. 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary fund(s) for the year 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 Bowerston, Harrison County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 December 20, 2005, 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. 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 the 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.



**Betty Montgomery**  
Auditor of State

December 20, 2005



VILLAGE OF BOWERSTON  
HARRISON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$6,850	\$4,918			\$11,768
Municipal Income Tax	74,633			\$8,147	82,780
Intergovernmental Receipts	42,901	29,779			72,680
Charges for Services	1,150				1,150
Fines, Licenses, and Permits	1,022				1,022
Earnings on Investments	3,603	232			3,835
Miscellaneous	6,145	8,647			14,792
<b>Total Cash Receipts</b>	<u>136,304</u>	<u>43,576</u>		<u>8,147</u>	<u>188,027</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	4,230				4,230
Public Health Services	143				143
Leisure Time Activities	12,654	1,551			14,205
Community Environment	10				10
Basic Utility Services	1,452	2,073			3,525
Transportation	30,688	24,790			55,478
General Government	41,980	1,968			43,948
Debt Service:					
Principal Payments			\$22,443		22,443
Interest Payments			21,121		21,121
Capital Outlay	19,960	19,001			38,961
<b>Total Cash Disbursements</b>	<u>111,117</u>	<u>49,383</u>	<u>43,564</u>		<u>204,064</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>25,187</u>	<u>(5,807)</u>	<u>(43,564)</u>	<u>8,147</u>	<u>(16,037)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In			43,564		43,564
Transfers-Out	(5,000)				(5,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(5,000)</u>		<u>\$43,564</u>		<u>38,564</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>20,187</u>	<u>(5,807)</u>		<u>8,147</u>	<u>22,527</u>
<b>Fund Cash Balances, January 1</b>	<u>169,137</u>	<u>27,602</u>		<u>8,877</u>	<u>205,616</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$189,324</b></u>	<u><b>\$21,795</b></u>		<u><b>\$17,024</b></u>	<u><b>\$228,143</b></u>

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

VILLAGE OF BOWERSTON  
HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$122,438
Miscellaneous	3,112
	<hr/>
Total Operating Cash Receipts	125,550
	<hr/>
<b>Operating Cash Disbursements:</b>	
Personal Services	48,993
Travel Transportation	173
Supplies and Materials	27,145
Other	23,438
Capital Outlay	9,704
	<hr/>
Total Operating Cash Disbursements	109,453
	<hr/>
Operating Income/(Loss)	16,097
	<hr/>
Transfers-In	3,540
Transfers-Out	(42,104)
	<hr/>
Net Receipts Over/(Under) Disbursements	(22,467)
	<hr/>
Fund Cash Balances, January 1	131,294
	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$108,827</u></u></b>

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

VILLAGE OF BOWERSTON  
HARRISON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$6,727	\$5,306			\$12,033
Municipal Income Tax	63,826			\$7,092	70,918
Intergovernmental Receipts	25,897	14,128		100,402	140,427
Charges for Services	1,280				1,280
Fines, Licenses, and Permits	1,033				1,033
Earnings on Investments	3,346	244			3,590
Miscellaneous	492				492
<b>Total Cash Receipts</b>	<u>102,601</u>	<u>19,678</u>		<u>107,494</u>	<u>229,773</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	4,227				4,227
Public Health Services	264				264
Leisure Time Activities	15,255	1,198			16,453
Community Environment	10				10
Basic Utility Services	783	2,635			3,418
Transportation	74,739	14,593			89,332
General Government	30,259	3,110			33,369
Debt Service:					
Principal Payments			\$18,797		18,797
Interest Payments			21,967		21,967
Capital Outlay		3,590		119,913	123,503
<b>Total Cash Disbursements</b>	<u>125,537</u>	<u>25,126</u>	<u>40,764</u>	<u>119,913</u>	<u>311,340</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(22,936)</u>	<u>(5,448)</u>	<u>(40,764)</u>	<u>(12,419)</u>	<u>(81,567)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Fixed Assets	14,100				14,100
Transfers-In	2,500		43,264		45,764
Transfers-Out	(5,000)		(2,500)		(7,500)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>11,600</u>		<u>\$40,764</u>		<u>52,364</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(11,336)</u>	<u>(5,448)</u>		<u>(12,419)</u>	<u>(29,203)</u>
<b>Fund Cash Balances, January 1</b>	<u>180,473</u>	<u>33,050</u>		<u>21,296</u>	<u>234,819</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$169,137</b></u>	<u><b>\$27,602</b></u>		<u><b>\$8,877</b></u>	<u><b>\$205,616</b></u>

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

**VILLAGE OF BOWERSTON  
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$124,013
Miscellaneous	940
	124,953
Total Operating Cash Receipts	124,953
<b>Operating Cash Disbursements:</b>	
Personal Services	44,436
Travel Transportation	195
Contractual Services	14,445
Supplies and Materials	22,570
Capital Outlay	14,341
	95,987
Total Operating Cash Disbursements	95,987
Operating Income/(Loss)	28,966
Transfers-In	3,540
Transfers-Out	(41,804)
	(9,298)
Net Receipts Over/(Under) Disbursements	(9,298)
Fund Cash Balances, January 1	140,592
<b>Fund Cash Balances, December 31</b>	<b>\$131,294</b>

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

**VILLAGE OF BOWERSTON  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**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 Bowerston, Harrison County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government, water and sewer utilities, street repair and maintenance, and park operations. The Village contracts with the Bowerston 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. 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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

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

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

**3. Debt Service Fund**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

*General Obligation Debt Service Fund* - This fund is used to accumulate funds and make payments on outstanding debt of the Village.

**VILLAGE OF BOWERSTON  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Capital Project Fund**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

*Capital Improvement Fund* - This fund receives 10% of the municipal income tax and intergovernmental revenue to construct and/or repair the Village streets.

**5. 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 Operating Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Operating Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

**D. 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 level of control, and appropriations may not exceed estimated resources. 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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**VILLAGE OF BOWERSTON  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. 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.

**F. 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**

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

	2004	2003
Demand deposits	\$336,970	\$336,910

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$88,000	\$136,304	\$48,304
Special Revenue	42,937	43,576	639
Debt Service	43,564	43,564	0
Capital Projects	55,500	8,147	(47,353)
Enterprise	124,240	129,090	4,850
Total	\$354,241	\$360,681	\$6,440

**VILLAGE OF BOWERSTON  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$138,680	\$116,117	\$22,563
Special Revenue	48,500	49,383	(883)
Debt Service	43,564	43,564	0
Capital Projects	3,000	0	3,000
Enterprise	152,054	151,557	497
Total	<u>\$385,798</u>	<u>\$360,621</u>	<u>\$25,177</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,063	\$119,201	\$46,138
Special Revenue	16,795	19,678	2,883
Debt Service	43,264	43,264	0
Capital Projects	106,991	107,494	503
Enterprise	121,740	128,493	6,753
Total	<u>\$361,853</u>	<u>\$418,130</u>	<u>\$56,277</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$164,823	\$130,537	\$34,286
Special Revenue	29,026	25,126	3,900
Debt Service	43,264	43,264	0
Capital Projects	120,874	119,913	961
Enterprise	155,925	137,791	18,134
Total	<u>\$513,912</u>	<u>\$456,631</u>	<u>\$57,281</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.



**VILLAGE OF BOWERSTON  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of one 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.

Total income taxes collected in 2004 and in 2003 were \$73,953 and \$70,918, respectively.

**6. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$2,599	6.36%
Ohio Public Works Commission Loan	42,500	0.00%
FHA Mortgage Revenue Bonds	401,000	5.00%
Total	<u>\$446,099</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$20,000 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$2,764, including interest, over 10 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan relates to a Penn Avenue/State Street widening and resurfacing capital project within the Village. The original loan was for \$50,000 dated August 29, 2001 at 0% interest for 10 years. The loan will be repaid in semiannual payments of \$2,500 starting when the project is complete. The Village's taxing authority collateralizes the OPWC loan.

The FHA Sanitary Sewer System Mortgage Revenue Bonds were issued for the construction of a new sanitary sewer system. The original amount was \$600,000 dated March 1, 1981. These bonds are redeemed at a rate of approximately \$35,500, including interest, paid annually over 40 years. The bonds are collateralized by sewer receipts.

**VILLAGE OF BOWERSTON  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**6. DEBT (Continued)**

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

Year Ending December 31	OWDA Loan	OPWC Loan	Mortgage Revenue Bonds
2005	\$2,764	\$5,000	\$36,050
2006		5,000	35,250
2007		5,000	35,450
2008		5,000	35,600
2009		5,000	35,700
Subsequent		17,500	426,350
Total	\$2,764	\$42,500	\$604,400

**7. RETIREMENT SYSTEM**

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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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



**Auditor of State  
Betty Montgomery**

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

Village of Bowerston  
Harrison County  
P O Box 2  
205 Water Alley  
Bowerston, Ohio 44695

To the Village Council:

We have audited the financial statements of Village of Bowerston, Harrison County, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 20, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated December 20, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**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, providing an opinion 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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Village's management dated December 20, 2005, we reported other matters related to noncompliance we deemed immaterial.

Village of Bowerston  
Harrison County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, and Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 20, 2005

**VILLAGE OF BOWERSTON  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

**Non Compliance Citation**

**Ohio Revised Code Section 5705.41 (D)** provides that no subdivision 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 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 Village Council 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 \$3,000 (\$1,000 prior to April 7, 2003) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

- 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.
- 3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation 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 extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 32% of the tested expenditures in 2004. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but 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, the Clerk/Treasurer should certify that the 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.

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

VILLAGE OF BOWERSTON  
HARRISON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2002-31234-001	ORC § 5705.41 (B) Disbursements exceeded appropriations.	No	Cited again in the management letter.







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**VILLAGE OF BOWERSTON**

**HARRISON 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  
FEBRUARY 9, 2006**