

**VILLAGE OF BREMEN  
FAIRFIELD COUNTY  
Regular Audit  
December 31, 2006 and 2005**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Bremen  
9090 Marietta Road  
Bremen, Ohio 43107

We have reviewed the *Independent Accountants' Report* of the Village of Bremen, Fairfield County, prepared by Perry & Associates, Certified Public Accountants, A.C., 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 *Independent Accountants' Report* 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 *Independent Accountants' Report* 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 Bremen 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

November 16, 2007

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VILLAGE OF BREMEN  
FAIRFIELD COUNTY

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**INDEPENDENT ACCOUNTANTS' REPORT**

October 3, 2007

Village of Bremen  
Fairfield County  
9090 Marietta Road  
Bremen, Ohio 43107

To the Village Council:

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 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 their changes in financial position 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 and reserve for encumbrances of the Village of Bremen, Fairfield 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 Government 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 October 3, 2007, 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.

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF BREMEN  
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 50,117	\$ -	\$ -	\$ 50,117
Municipal Income Tax	267,891	-	-	267,891
Intergovernmental	89,748	74,999	-	164,747
Charges for Services	750	-	-	750
Fines, Licenses, and Permits	7,675	-	-	7,675
Earnings on Investments	9,616	1,271	-	10,887
Miscellaneous	6,917	1,448	-	8,365
	<u>432,714</u>	<u>77,718</u>	<u>-</u>	<u>510,432</u>
<b>Total Cash Receipts</b>				
	<u>432,714</u>	<u>77,718</u>	<u>-</u>	<u>510,432</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	76,480	-	-	76,480
Public Health Service	4,251	-	-	4,251
Leisure Time Activities	5,474	-	-	5,474
Basic Utility Services	-	56,253	-	56,253
Transportation	3,004	165,921	-	168,925
General Government	83,031	-	-	83,031
Debt Service:				
Redemption of Principal	-	11,927	74,369	86,296
Interest and Fiscal Charges	-	526	23,030	23,556
Capital Outlay	-	155	-	155
	<u>172,240</u>	<u>234,782</u>	<u>97,399</u>	<u>504,421</u>
<b>Total Cash Disbursements</b>				
	<u>172,240</u>	<u>234,782</u>	<u>97,399</u>	<u>504,421</u>
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>260,474</u>	<u>(157,064)</u>	<u>(97,399)</u>	<u>6,011</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfer-In	-	133,945	97,399	231,344
Transfer-Out	(151,945)	-	-	(151,945)
	<u>(151,945)</u>	<u>133,945</u>	<u>97,399</u>	<u>79,399</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
	<u>(151,945)</u>	<u>133,945</u>	<u>97,399</u>	<u>79,399</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	108,529	(23,119)	-	85,410
<b>Fund Cash Balances, January 1</b>	42,947	116,955	-	159,902
	<u>42,947</u>	<u>116,955</u>	<u>-</u>	<u>159,902</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 151,476</u>	<u>\$ 93,836</u>	<u>\$ -</u>	<u>\$ 245,312</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$ 180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180</u>

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



**VILLAGE OF BREMEN  
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 572,763	\$ -	\$ 572,763
Total Operating Revenues	<u>572,763</u>	<u>-</u>	<u>572,763</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	134,109	-	134,109
Fringe Benefits	31,685	-	31,685
Contractual Services	140,578	-	140,578
Supplies and Materials	152,034	-	152,034
Total Operating Cash Disbursements	<u>458,406</u>	<u>-</u>	<u>458,406</u>
Operating Income (Loss)	<u>114,357</u>	<u>-</u>	<u>114,357</u>
<b>Non-Operating Cash Receipts:</b>			
Loan Proceeds	143,399	-	143,399
Intergovernmental	-	8,000	8,000
Miscellaneous	56,906	-	56,906
Total Non-Operating Cash Receipts	<u>200,305</u>	<u>8,000</u>	<u>208,305</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	147,687	-	147,687
Other Non-Operating Expenses	-	7,937	7,937
Debt Service:			
Redemption of Principal	7,971	-	7,971
Interest and Fiscal Charges	490	-	490
Total Nonoperating Expenses	<u>156,148</u>	<u>7,937</u>	<u>164,085</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	158,514	63	158,577
Transfer-In	18,000	-	18,000
Transfer-Out	<u>(97,399)</u>	<u>-</u>	<u>(97,399)</u>
Net Receipts Over/(Under) Cash Disbursements	79,115	63	79,178
Fund Cash Balances, January 1	<u>121,646</u>	<u>791</u>	<u>122,437</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 200,761</u></b>	<b><u>\$ 854</u></b>	<b><u>\$ 201,615</u></b>

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

**VILLAGE OF BREMEN  
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 47,272	\$ -	\$ -	\$ 47,272
Municipal Income Tax	214,929	-	-	214,929
Intergovernmental	27,339	119,931	-	147,270
Fines, Licenses, and Permits	1,835	-	-	1,835
Earnings on Investments	2,389	-	-	2,389
Miscellaneous	15,417	2,113	-	17,530
	<u>309,181</u>	<u>122,044</u>	<u>-</u>	<u>431,225</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	113,514	-	-	113,514
Public Health Service	4,572	-	-	4,572
Leisure Time Activities	8,442	-	-	8,442
Transportation	3,230	117,340	-	120,570
General Government	82,756	-	-	82,756
Debt Service:				
Redemption of Principal	-	11,489	7,988	19,477
Interest and Fiscal Charges	-	1,015	550	1,565
Capital Outlay	100	9,818	-	9,918
	<u>212,614</u>	<u>139,662</u>	<u>8,538</u>	<u>360,814</u>
<b>Total Cash Disbursements</b>				
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>96,567</u>	<u>(17,618)</u>	<u>(8,538)</u>	<u>70,411</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfer-In	-	105,000	8,538	113,538
Transfer-Out	(121,500)	-	-	(121,500)
	<u>(121,500)</u>	<u>105,000</u>	<u>8,538</u>	<u>(7,962)</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	(24,933)	87,382	-	62,449
<b>Fund Cash Balances, January 1</b>	<u>67,880</u>	<u>29,573</u>	<u>-</u>	<u>97,453</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 42,947</u>	<u>\$ 116,955</u>	<u>\$ -</u>	<u>\$ 159,902</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$ -</u>	<u>\$ 188</u>	<u>\$ -</u>	<u>\$ 188</u>

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

**VILLAGE OF BREMEN  
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 467,649	\$ -	\$ 467,649
Total Operating Revenues	<u>467,649</u>	<u>-</u>	<u>467,649</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	132,551	-	132,551
Fringe Benefits	30,506	-	30,506
Contractual Services	152,244	-	152,244
Supplies and Materials	153,262	-	153,262
Total Operating Cash Disbursements	<u>468,563</u>	<u>-</u>	<u>468,563</u>
Operating Income (Loss)	<u>(914)</u>	<u>-</u>	<u>(914)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental	-	7,000	7,000
Miscellaneous	35,645	-	35,645
Total Non-Operating Cash Receipts	<u>35,645</u>	<u>7,000</u>	<u>42,645</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Expenses	-	7,709	7,709
Debt Service:			
Redemption of Principal	22,166	-	22,166
Interest and Fiscal Charges	1,333	-	1,333
Total Nonoperating Expenses	<u>23,499</u>	<u>7,709</u>	<u>31,208</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	11,232	(709)	10,523
Transfer-In	15,000	1,500	16,500
Transfer-Out	<u>(8,539)</u>	<u>-</u>	<u>(8,539)</u>
Net Receipts Over/(Under) Cash Disbursements	17,693	791	18,484
Fund Cash Balances, January 1	<u>103,953</u>	<u>-</u>	<u>103,953</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 121,646</u></b>	<b><u>\$ 791</u></b>	<b><u>\$ 122,437</u></b>
Reserve for Encumbrances, December 31	<u>\$ 313</u>	<u>\$ -</u>	<u>\$ 313</u>

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

**VILLAGE OF BREMEN  
FAIRFIELD COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Bremen, Fairfield County, Ohio, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides general governmental services, including water and sewer utilities and park operations (leisure time activities). The Village contracts with the Fairfield County sheriff's department to provide security of persons and property.

The Village's management believes these financial statements represent 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).

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

C. Fund Accounting

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

*General Fund:*

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

*Special Revenue Funds:*

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

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

FEMA Fund – This fund is used to account for monies received and disbursed from the Federal Emergency Management Agency Disaster Assistance (FEMA) to repair assets that incurred severe flood damage.

*Debt Service Funds:*

These funds are used to accumulate resources to pay principal and interest on long-term debt. The Village has the following significant debt service funds.

**VILLAGE OF BREMEN  
FAIRFIELD COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
Continued**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

*Proprietary Funds:*

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The Village's proprietary funds are classified as either enterprise or internal service. Enterprise funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The internal service fund accounts for the financing of services provided by one department to other departments on a cost reimbursement basis. The Village has the following significant proprietary funds:

Water Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

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

D. Budgetary Process.

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

Appropriations

Budgetary expenditures (disbursements and encumbrances) may not exceed appropriations at the Fund 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. Unencumbered appropriations lapse at year-end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

Encumbrances

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

**VILLAGE OF BREMEN  
FAIRFIELD COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
Continued**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

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 and investments at December 31 was as follows:

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$ 446,927	\$ 282,339

Deposits:

The Village's deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 was as follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$303,800	\$432,714	\$128,914
Special Revenue	224,356	211,663	(12,693)
Debt Service	106,491	97,399	(9,092)
Internal Services	6,670	8,000	1,330
Enterprise	554,000	791,068	237,068
Total	\$1,195,317	\$1,540,844	\$345,527

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$346,746	\$324,365	\$22,381
Special Revenue	341,311	234,782	106,529
Debt Service	107,625	97,399	10,226
Internal Services	7,461	7,937	(476)
Enterprise	673,144	711,953	(38,809)
Total	\$1,476,287	\$1,376,436	\$99,851

**VILLAGE OF BREMEN  
FAIRFIELD COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
Continued**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$323,904	\$309,181	(\$14,723)
Special Revenue	161,015	227,044	66,029
Debt Service	97,815	8,538	(89,277)
Internal Services	0	7,000	7,000
Enterprise	495,049	518,294	23,245
Total	<u>\$1,077,783</u>	<u>\$1,070,057</u>	<u>(\$7,726)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$385,871	\$334,114	\$51,757
Special Revenue	201,320	139,850	61,470
Debt Service	98,115	8,538	89,577
Internal Services	0	7,709	(7,709)
Enterprise	592,336	500,601	91,735
Total	<u>\$1,277,642</u>	<u>\$990,812</u>	<u>\$286,830</u>

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 67.5% of expenditures tested during 2006 and 52.5% of expenditures testing during 2005.

Contrary to Ohio Rev. Code Section 5705.41 (B), expenditures exceeded appropriations in several of the Village's funds during 2006 and 2005.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which Village Council adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half 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 on the property owners, who must file a list of such property to the County by April 30.

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

**VILLAGE OF BREMEN  
FAIRFIELD COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
Continued**

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan - 2000	\$ 104,134	0.00%
Ohio Public Works Commission Loan - 2006	91,731	0.00%
Ohio Water Development Authority Loan - 1987	280,836	9.78%
Ohio Water Development Authority Loan - 2006	46,840	4.75%
First Bremen Bank - 2003	5,291	3.75%
First Bremen Bank - 2004	6,134	3.75%
Total	<u>\$ 534,966</u>	

The Ohio Public Works (OWPC) loan was issued in 2000 for water treatment plant improvements. The loan is a zero percent interest loan that is repaid in semiannual payments of \$3,719 over 20 years. The Village has agreed to set utility rates sufficient to cover the OPWC debt service requirements. However, the Village can pay the loan from general revenues according to the agreement.

A second Ohio Public Works (OWPC) loan was issued in 2006 for a wastewater treatment plant clarifier project. The loan is a zero percent interest loan that is repaid in semiannual payments of \$2,414 over 20 years. The Village has agreed to set utility rates sufficient to cover the OPWC debt service requirements. However, the Village can pay the loan from general revenues according to the agreement.

The Ohio Water Development Authority (OWDA) loan for 1987 relates to utility construction projects. The loans will be repaid in semiannual installments of \$40,092, including interest, over 25 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan for 2006 relates to water tower engineering. A payment schedule has yet to be provided by the OWDA. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

During 2002, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA) relating to a clarifier design project. The loan was originally due as a one-time payment in July 2007. However, during 2003, the Village refinanced this loan with First Bremen Bank in order to obtain a lower interest rate. The OWDA loan payoff amounted to \$31,039. The Village borrowed \$30,000 in September 2003 at an interest rate of 3.75% with payments of \$2,089 due quarterly. The final payment is due July 2007.

During 2004, the Village obtained a loan with the First Bremen Bank for \$35,135 to purchase a Ford truck. The terms of the loan are monthly payments \$1,033 for three years.

Outstanding balances presented in the prior financial statements have been adjusted. The Ohio Water Development Authority Loan outstanding balance was restated from \$393,823 to \$372,933.

Amortization of the above debt, including interest, is scheduled as follows. A payment schedule has yet to be provided by the OWDA for the loan obtained in 2006.



**VILLAGE OF BREMEN  
FAIRFIELD COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
Continued**

5. DEBT (Continued)

Year Ending December 31:	OPWC Loan - 2000	OPWC Loan - 2006	OWDA Loan - 1987	First Bremen Bank Loan - 2003	First Bremen Bank Loan - 2004
2007	\$ 7,438	\$ 4,828	\$ 52,852	\$ 5,291	\$ 6,134
2008	7,438	4,828	57,996	-	-
2009	7,438	4,828	63,640	-	-
2010	7,438	4,828	69,834	-	-
2011	7,438	4,828	36,514	-	-
Thereafter	66,944	67,591	-	-	-
Total	<u>\$ 104,134</u>	<u>\$ 91,731</u>	<u>\$ 280,836</u>	<u>\$ 5,291</u>	<u>\$ 6,134</u>

6. CAPITAL LEASES

During 2003, the Village entered into a capitalized lease for equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements. The lease was paid off during 2006.

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, members of OPERS contributed 9.0% and 8.5%, respectively, of their gross salaries. The Village contributed an amount equal to 13.70% of participants' gross salaries in 2006 and 13.55% in 2005. The Village has paid all contributions required through December 31, 2006.

9. RISK MANAGEMENT

The Village has obtained commercial insurance coverage for the following risks:

- Comprehensive property and general liability
- Vehicles
- Inland Marine
- Errors and omissions

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The Village has not incurred significant reductions in insurance coverage from coverage in prior year by major category risk.

**VILLAGE OF BREMEN  
FAIRFIELD COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
Continued**

10. CONTINGENT LIABILITIES

A. Pending Litigation

A suit has been filed against the Village alleging negligence regarding maintenance of public sidewalks. The Village intends to vigorously contest the allegations. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

B. Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

***Perry & Associates***  
Certified Public Accountants, A.C.

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

October 3, 2007

Village of Bremen  
Fairfield County  
9090 Marietta Road  
Bremen, Ohio 43107

To the Village Council:

We have audited the financial statements of the Village of Bremen, Fairfield County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 3, 2007, 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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 we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

### **Internal Control Over Financial Reporting (Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-007.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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 material weaknesses. We believe significant deficiency 2006-001 described above is a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated October 3, 2007.

### **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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-008 and 2006-009.

In a separate letter to the Village's management dated October 3, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF BREMEN  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 and 2005**

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

**FINDING NUMBER 2006-001**

**Significant Deficiency / Material Weakness**

**Payroll**

During our testing of payroll, we noted pay for salaried employees was not calculated correctly and several adjustments to subsequent pays was necessary to correct initial errors. It was also determined that the Village Administrator was overpaid during the audit period and the Fiscal Officer received one pay earlier resulting in an extra pay received during the audit period. It was noted that the Fiscal Officer received one less pay in 2007 thus repaying the Village for the overpayment during the audit period.

We recommend the Village Fiscal Officer prepare an annual payment schedule for all salaried employees that is reviewed and approved by Council. Prior to disbursement, each pay should be reviewed by the Administrator for consistency with the schedule approved by Council.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-002**

**Significant Deficiency**

**Monitoring of Delinquent Income Tax Accounts**

Upon our review of the Village's Income Tax Department, we could find no evidence the Village monitors delinquent income tax accounts nor could we find a formal policy for the collection of delinquent income taxes due the Village. Upon discussion with staff, a list of delinquent accounts had not been generated for a significant length of time. Council is responsible for monitoring income tax collections of the Village. They receive financial information from the Village Clerk at their monthly meetings, however, a list of delinquent income tax accounts is not provided. As a result of not reviewing and addressing delinquent accounts, the Village may be losing revenues due them.

We recommend the Village Fiscal Officer provide to Village Council a complete listing of all delinquent accounts at least quarterly. We also recommend the Village establish a formal policy detailing the procedures to be utilized for collecting on delinquent income tax accounts.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF BREMEN  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 and 2005**

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

Continued

**FINDING NUMBER 2006-003**

**Significant Deficiency**

**Income Tax Collections**

The Village does not have a procedure in place to help ensure all individuals required to pay Village income tax are actually paying. This could result in a loss of income tax revenue for the Village.

We recommend the Village implement procedures to verify all individuals required to pay Village income tax are paying. An example may be cross checking residents receiving utility services within the Village to income tax filings. The Village should contact other similar Villages with an income tax and get suggestions on how they ensure collections.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-004**

**Significant Deficiency**

**Delinquent Utility Accounts**

The Village does not have a formal policy for the monitoring of delinquent water and sewer accounts. As a result, the Village has an increased risk of not receiving monies owed for water and sewer utilities.

The Council should adopt a policy detailing the methodology used to distinguish delinquent from uncollectible and the procedures for collecting on delinquent accounts. This policy should address the following issues:

- The monitoring and frequency of review for delinquent accounts
- The procedures to be utilized in an attempt to collect a delinquent account
- The period of time an account may remain delinquent before being classified as uncollectible; and
- The procedures for writing off an account as uncollectible

This will help ensure the Village has adequate policies and procedures in place for managing delinquent accounts.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF BREMEN  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 and 2005**

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

Continued

**FINDING NUMBER 2006-005**

**Significant Deficiency**

**Monitoring of Utility Adjustments**

The Council was not presented with and did not review any adjustment reports relating to customer billing. This could result in an increased risk of the Village not receiving monies owed for water and sewer utilities. Also, inappropriate adjustments are more likely to occur without proper approval from the Council prior to an adjustment being made.

We recommend the Council review and approve bill adjustment reports on a quarterly basis.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-006**

**Significant Deficiency**

**Posting Revenues and Expenditures**

During 2005 and 2006, several expenditures related to debt were not posted into accurate classifications based on the source of the expenditure. Additionally, the proceeds from debt issuances were not properly recorded as receipts. These mispostings resulted in several audit reclassifications.

We recommend the Clerk refer to the Village Handbook for guidance to determine the proper establishment of expenditure accounts and posting of revenues and expenditures.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF BREMEN  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 and 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Continued

**FINDING NUMBER 2006-007**

**Significant Deficiency**

**Posting Estimated Revenues and Appropriations**

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as Certified by the County Budget Commission.

We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-008**

**Noncompliance Citation**

**Ohio Revised Code § 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due.



VILLAGE OF BREMEN  
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 and 2005

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

Continued

**FINDING NUMBER 2006-008 (Continued)**

**Ohio Revised Code § 5705.41(D) (Continued)**

The taxing authority 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 taxing authority.

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.
3. Super Blanket Certificate – The entity 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 Village did not properly certify the availability of funds prior to purchase commitment for 67.5% and 52.5% of the expenditures tested during 2006 and 2005, respectively. In addition there was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village lost budgetary control over expenditures.

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, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

**Management’s Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-009**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41 (B)** states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2006 and 2005 in several funds.

**VILLAGE OF BREMEN  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 and 2005**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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Continued

**FINDING NUMBER 2006-009 (Continued)**

**Ohio Rev. Code Section 5705.41 (B) (Continued)**

We recommend the Fiscal Officer modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations.

**Management's Response** – We did not receive a response from officials to this finding.



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF BREMEN**

**FAIRFIELD 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  
DECEMBER 4, 2007**