



Balestra, Harr & Scherer, CPAs, Inc.

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

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VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2011 and 2010
Fiscal Years Audited Under GAGAS: 2011 and 2010



Dave Yost • Auditor of State

Village Council
Village of South Bloomfield
5023 South Union Street
South Bloomfield, Ohio 43103

We have reviewed the *Independent Auditor's Report* of the Village of South Bloomfield, Pickaway County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2010 through December 31, 2011. 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 Auditor's 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 Auditor's 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 South Bloomfield is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

June 19, 2013

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

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

We have audited the accompanying financial statements of Village of South Bloomfield, Pickaway County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Village of South Bloomfield
Pickaway County
Independent Auditors' Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of South Bloomfield, Pickaway County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 11, during 2011 the Village of South Bloomfield adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 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. 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.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.

May 30, 2013

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 67,059	\$ -	\$ 67,059
Municipal Income Tax	301,953	-	301,953
Intergovernmental	137,468	67,902	205,370
Special Assessments	279	2,971	3,250
Charges for Services	129,883	-	129,883
Fines, Licenses, and Permits	83,311	-	83,311
Earnings on Investments	2,114	81	2,195
Miscellaneous	4,961	10	4,971
	<u>727,028</u>	<u>70,964</u>	<u>797,992</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons & Property	329,258	632	329,890
Public Health Service	9,362	-	9,362
Leisure Time Activities	6,955	-	6,955
Community Environment	7,862	-	7,862
Basic Utility Services	141,847	-	141,847
Transportation	61,727	55,588	117,315
General Government	155,424	-	155,424
Debt Service:			
Redemption of Principal	3,647	-	3,647
Interest and Fiscal Charges	93	-	93
	<u>716,175</u>	<u>56,220</u>	<u>772,395</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	10,853	14,744	25,597
Other Financing Receipts and (Disbursements):			
Other Sources	2,913	-	2,913
Other Uses	(999)	-	(999)
	<u>1,914</u>	<u>-</u>	<u>1,914</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	12,767	14,744	27,511
Fund Cash Balances, January 1	<u>23,692</u>	<u>200,679</u>	<u>224,371</u>
Restricted	-	215,423	215,423
Unassigned	36,459	-	36,459
Fund Cash Balances, December 31	<u>\$ 36,459</u>	<u>\$ 215,423</u>	<u>\$ 251,882</u>

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 573,109	\$ -	\$ 573,109
Miscellaneous	765	-	765
Total Operating Cash Receipts	573,874	-	573,874
Operating cash disbursements			
Personal services	104,671	-	104,671
Fringe benefits	39,900	-	39,900
Contractual services	197,908	5,834	203,742
Supplies and Materials	31,134	-	31,134
Other	2,191	-	2,191
Total Operating Cash Disbursements	375,804	5,834	381,638
Operating Income/(Loss)	198,070	(5,834)	192,236
Non-Operating Cash Receipts/Disbursements			
Earnings on Investments	223	-	223
Tap Fees	54,057	-	54,057
Capital Outlay	(3,543)	-	(3,543)
Debt Service:			
Principal	(296,203)	-	(296,203)
Interest	(212,422)	-	(212,422)
Other Non-operating Receipts	-	60,507	60,507
Other Non-operating Disbursements	-	(53,558)	(53,558)
Total Non-Operating Cash Receipts (Disbursements)	(457,888)	6,949	(450,939)
Income/(Loss) Before Interfund Transfers and Advances	(259,818)	1,115	(258,703)
Transfers and Advances			
Transfers-In	34,000	-	34,000
Advances-In	175,000	-	175,000
Transfers-Out	(34,000)	-	(34,000)
Advances-Out	(175,000)	-	(175,000)
Total Transfers and Advances	-	-	-
Net Receipts Over/(Under) Disbursements	(259,818)	1,115	(258,703)
Fund Cash Balances, January 1	743,911	27,477	771,388
Fund Cash Balances, December 31	\$ 484,093	\$ 28,592	\$ 512,685

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$ 70,396	\$ -	\$ 70,396
Municipal Income Tax	252,244	-	252,244
Intergovernmental	33,824	86,616	120,440
Special Assessments	4,370	4,380	8,750
Charges for Services	135,083	-	135,083
Fines, Licenses, and Permits	179,442	-	179,442
Earnings on Investments	3,251	151	3,402
Miscellaneous	29,557	3,783	33,340
 Total Cash Receipts	 708,167	 94,930	 803,097
Cash Disbursements:			
Current:			
Security of Persons & Property	261,836	1,327	263,163
Public Health Service	4,999	-	4,999
Leisure Time Activities	12,844	-	12,844
Community Environment	3,469	-	3,469
Basic Utility Services	126,115	-	126,115
Transportation	108,664	58,873	167,537
General Government	153,947	-	153,947
Debt Service:			
Redemption of Principal	6,982	-	6,982
Interest and Fiscal Charges	496	-	496
 Total Cash Disbursements	 679,352	 60,200	 739,552
 Total Cash Receipts Over/(Under) Cash Disbursements	 28,815	 34,730	 63,545
 Fund Cash Balances, January 1	 (5,123)	 165,949	 160,826
Fund Cash Balances, December 31	\$ 23,692	\$ 200,679	\$ 224,371
 Reserve for Encumbrances, December 31	 \$ 7,297	 \$ -	 \$ 7,297

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 573,304	\$ -	\$ 573,304
Miscellaneous	283	-	283
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	573,587	-	573,587
Operating Cash Disbursements			
Personal services	101,542	3,064	104,606
Fringe benefits	36,498	-	36,498
Contractual services	125,937	10,382	136,319
Supplies and Materials	71,356	-	71,356
Other	1,269	-	1,269
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	336,602	13,446	350,048
Operating Income/(Loss)	236,985	(13,446)	223,539
Non-Operating Cash Receipts/Disbursements			
Tap Fees	45,693	-	45,693
Earnings on Investments	5,016	-	5,016
Capital Outlay	(1,469)	-	(1,469)
Debt Service:			
Principal	(298,582)	-	(298,582)
Interest	(222,534)	-	(222,534)
Other Non-operating Receipts	-	101,009	101,009
Other Non-operating Disbursements	-	(100,282)	(100,282)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Receipts (Disbursement)	(471,876)	727	(471,149)
Net Receipts Over/(Under) Disbursements	(234,891)	(12,719)	(247,610)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	978,802	40,196	1,018,998
Fund Cash Balances, December 31	<u>\$ 743,911</u>	<u>\$ 27,477</u>	<u>\$ 771,388</u>

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of South Bloomfield, Pickaway County, Ohio, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations (leisure time activities), and police services.

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

B. 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 disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. The investment in STAR Ohio is recorded at share value reported by the mutual fund.

D. Fund Accounting

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

1. General Fund:

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. 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 expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

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

3. Enterprise Funds:

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

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

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

Water and Sewer Debt Service Funds - Receives charges for services from residents to retire debt.

4. Fiduciary Fund (Agency Fund):

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayor's Court Fund- Received revenues paid to the Village Mayor's Court for traffic fines, penalties and court costs assessed to motorists.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be reappropriated. The Village did not encumber all commitments as required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (continued)

3. Committed

Trustees can commit amounts via formal action (resolution). The Village must adhere to these commitments unless the Trustees amend 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 Trustees or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

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

G. Property, Plant and Equipment

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

H. Accumulated Leave

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2011**

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>2011</u>	<u>2010</u>
Demand deposits	\$78,360	\$311,222
Certificate of deposit	<u>282,205</u>	<u>280,762</u>
Total deposits	<u>360,565</u>	<u>591,984</u>
STAR Ohio	404,002	403,775
Total investments	<u>404,002</u>	<u>403,775</u>
Total deposits and investments:	<u>\$764,567</u>	<u>\$995,759</u>

Deposits:

The Village's deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

Investments:

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and December 31, 2010, was as follows:

2011 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$622,060	\$729,941	\$107,881
Special Revenue	52,759	70,964	18,205
Enterprise	<u>612,000</u>	<u>662,154</u>	<u>50,154</u>
Total	<u>\$1,286,819</u>	<u>\$1,463,059</u>	<u>\$176,240</u>

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2011**

3. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$657,236	\$717,174	(\$59,938)
Special Revenue	53,858	56,220	(2,362)
Enterprise	<u>1,195,658</u>	<u>921,972</u>	<u>273,686</u>
Total	<u>\$1,906,752</u>	<u>\$1,695,366</u>	<u>\$211,386</u>

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$634,849	\$708,167	\$73,318
Special Revenue	107,671	94,930	(12,741)
Enterprise	<u>846,590</u>	<u>624,296</u>	<u>(222,294)</u>
Total	<u>\$1,589,110</u>	<u>\$1,427,393</u>	<u>(\$161,717)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$689,389	\$686,649	\$2,740
Special Revenue	220,939	60,200	160,739
Enterprise	<u>1,698,437</u>	<u>859,187</u>	<u>839,250</u>
Total	<u>\$2,608,765</u>	<u>\$1,606,036</u>	<u>\$1,002,729</u>

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2011**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. 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 payment is due the following June 20.

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.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 0250	\$859,529	2%
Ohio Water Development Authority Loan 1000NR	455,603	7.21%
Ohio Water Development Authority Loan 1001NR	146,311	7.14%
Ohio Water Development Authority Loan 1001NRS2	62,276	7.38%
Ohio Water Development Authority Loan 4303	4,683,956	1.5 -3.99%
Ohio Public Works Commission Loan CQ017	88,486	0%
Ohio Water Development Authority Loan 1001NRS	157,464	6.51%
Bank Loan 4121396	<u>0</u>	2.3%
Total	<u>\$6,453,625</u>	

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2011**

6. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$9,148,357 in loans to the Village for this project. The loans will be repaid in semiannual installments as noted in the following tables, including interest, over 20 years. The scheduled payments will be adjusted to reflect any revisions in amounts actually borrowed. The Ohio Public Works Commission (OPWC) Loan also relates to the water and sewer plant expansion. Bank Loan 4121396 was for the purchase of a police cruiser.

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

	OWDA Loan 0250	OWDA Loan 1000NR	OWDA Loan 1001NR	OWDA Loan 1001NRS
Year Ending December 31:				
2012	\$42,211	\$45,172	\$13,641	\$14,360
2013	84,422	90,344	27,282	28,720
2014	84,422	90,344	27,282	28,720
2015	84,422	90,344	27,282	28,720
2016	84,422	90,344	27,282	28,720
2017-2021	422,111	180,688	68,205	71,800
2022-2026	<u>168,844</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$970,854</u>	<u>\$587,236</u>	<u>\$190,974</u>	<u>\$201,040</u>

	OWDA Loan 1001NRS2	OPWC CQ017
Year Ending December 31:		
2012	\$5,854	\$12,641
2013	11,709	12,641
2014	11,709	12,641
2015	11,709	12,641
2016	11,709	12,641
2017-2019	<u>29,271</u>	<u>25,282</u>
Totals	<u>\$81,961</u>	<u>\$88,487</u>

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2011**

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS is a cost-sharing, multiple-employer plan. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2011 and 2010, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 10% of gross wages. The Village contributed an amount equal to 14% of participants' gross wages. The Village has paid all contributions required through December 31, 2011.

8. RISK MANAGEMENT

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

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

The Village also provides health insurance, dental and vision coverage to full-time employees through a private carrier.

Settled claims have not exceeded this commercial coverage in any of the three past years. There has been no significant change in coverage from last year.

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

10. COMPLIANCE

- The Village did not properly encumber all commitments as required by ORC Section 5705.41(D).
- The Village did not maintain an accounting system sufficient to properly record and report the financial transactions of the Village as required by Ohio Administrative Code Section 117-2-02A.
- The Village had a negative fund balance in the Sewer Debt Service Fund and the Other Agency Fund in 2011 and 2010 contrary to ORC Section 5705.10.
- The Village did not pass a resolution approving the advance of funds in 2010 as described by Auditor of State Bulletin 97-003.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2011**

11. CHANGE IN ACCOUNTING PRINCIPLE

The Village has implemented Governmental Accounting Standards Board (GASB) Statement No.54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement had no effect on the fund balances as previously reported.

12. FUND BALANCES

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

Fund Balances	General	Special Revenue	Total Governmental Funds
Restricted for			
Bridge & Street	\$ -	\$ 175,224	\$ 175,224
Parks	-	2,532	2,532
Police	-	8,718	8,718
Permissive Tax	-	28,949	28,949
Total Restricted	-	215,423	215,423
Unassigned	36,459	-	36,459
Total Fund Balances	\$ 36,459	\$ 215,423	\$ 251,882



Balestra, Harr & Scherer, CPAs, Inc.

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

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

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

We have audited the financial statements of Village of South Bloomfield, Pickaway County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated May 30, 2013, 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. For the year ended December 31, 2011, we noted the Village implemented Governmental Accounting Standards Board Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*”. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-002 and 2011-005 as described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 2011-001 through 2011-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 30, 2013.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Village Council, and others within the Village. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
May 30, 2013

**Village of South Bloomfield
Pickaway County
Schedule of Findings
December 31, 2011 and 2010**

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

FINDING NUMBER	2011-001
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MATERIAL NONCOMPLIANCE

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This section also provides two exceptions to the above requirement:

- Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the (entity) may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- If the amount involved is less than three thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the (legislative authority) upon completion of a then and now certificate.

Several transactions tested were not certified prior to the purchase commitment. There was no indication that “then and now” certificates were used.

The Village should issue a valid purchase order with the signature of the fiscal officer prior to making any purchase commitment. In those events when commitments are made prior to obtaining the fiscal officer’s certificate, the Village should employ the allowable provision of law under this section, Ohio Revised Code Section 5705.41(D), and secure a “then and now” certificate. This matter has been cited since the 1999-98 audit.

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

Village of South Bloomfield
Pickaway County
Schedule of Findings (Continued)
December 31, 2011 and 2010

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

FINDING NUMBER	2011-002
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MATERIAL NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Administrative Code Section 117-2-02A directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, and analyze, classify, record and report its transactions, maintain accountability for the related assets, and prepare financial statements required by Rule 117-2-03 of the OAC. OAC Section 117-2-02D allows the records to be maintained manually or in a computerized format and requires the following: 1) Cash journal with the amount, date, receipts number, check number, account code and any other information necessary to properly classify the transaction; 2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date, name of the payer, purpose, receipt number and other information necessary to record the transaction on this ledger, and; 3) Appropriation ledger to assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriations resolution. The amount, date, fund, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursements, uncommitted balance of appropriations and any other information required may be inter in the appropriate columns.

We found the following significant issues during the course of our work which must be corrected in order for the Village to be able to maintain proper controls over the cash accounting, reporting and reconciliation process:

The majority of cash receipts were not posted timely during the above referenced time period. There were delays of one to two months in posting receipts on a regular basis, which makes the reconciliation process very complex and has led to numerous errors and reporting issues. In addition to this issue, there were numerous errors in posting receipts to the Village's accounting system which further complicated the reconciliation process.

Utility deposits were combined together into three to five days' worth of deposits into one posting onto the Village's accounting records. In addition credit card receipts and regular receipts were combined together into these postings even though the deposits would not be recorded by the bank until several days later. The combination of these two issues resulted in numerous errors in posting and further complicated the reconciliation process.

A number of the records were not able to be easily located due to the transition between clerks which made the reconciliation process much more cumbersome as well. Some bank statements were not readily available and had to be requested from the bank as the originals had been misplaced.

The previous Village Clerk attempted to correct errors by posting audit adjustments to the Village's accounting system; however, most of these adjustments had already been accounted for and shouldn't have been posted to the Village's accounting system. This resulted in a number of significant adjustments to the Village's cash balances.

The outstanding check lists were not accurate and these errors resulted in additional adjustments to the Village's accounting records.

**Village of South Bloomfield
Pickaway County
Schedule of Findings (Continued)
December 31, 2011 and 2010**

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

FINDING NUMBER	2011-002 (continued)
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The Village was accepting credit card payments for receipts; however, such credit card payments were not separately posted into the Village's accounting records. The credit card payments were combined with the cash receipt's payments and posted as one entry into the Village's accounting system. The problem with combining such receipts was that credit card payments were not posted the same day as the other receipts and trying to reconcile credit card payments in transit was very difficult.

There was not a clear audit trail over the cash collection process to ensure that all bank activity was properly reflected in the Village's accounting system. Without policies and procedures documenting the proper process for recording deposits, the Village has encountered numerous problems with the cash reconciliation process.

There were some situations where monies were transferred into another bank account for payment of debt service; however, such transactions were not properly recorded and posted to the Village's accounting system which resulted in overstatement of the Village's cash balances.

There were other situations where monies were transferred into the general checking account from another bank account and were improperly recorded as revenue which overstated the Village's cash balances.

In order to improve controls over the cash accounting, reporting and reconciliation process, we recommend that the following steps be taken as soon as possible.

All receipts should be posted to the Village's accounting system on a timely basis. Posting should normally be done either the same day or the next business day. There should not be any situations where deposits are not recorded within the same month that they are received. With the advent of online banking, the Village can obtain banking information within one day after it has occurred, if not sooner.

There needs to be a thorough review of all items posted to the Village's UAN accounting system to ensure that all receipts and disbursements are accurately posted and that such postings agree to the bank statements.

The Village should not combine receipts for more than one day for posting to the Village's accounting system. There should be a clear audit trail from the original cash receipts to the posting to the Village's accounting system to the deposit of such receipts into the Village's bank or banks.

Credit card payments should be discontinued for normal Village cash collections (excluding Mayor's Court) until the Village is able to effectively control and monitor the cash reconciliation process. It is our understanding that the Village has discontinued the practice of accepting credit cards for normal Village cash collections (excluding Mayor's Court).

A more organized filing system for cash and investments needs to be established. We recommend that all statements for both cash and investments be maintained by month in the same location. Detailed information regarding all cash receipts (ie. cash receipts book) should be maintained for all cash receipts so that if there are any questions regarding cash receipts, they can be properly addressed.

**Village of South Bloomfield
Pickaway County
Schedule of Findings (Continued)
December 31, 2011 and 2010**

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

FINDING NUMBER	2011-002 (continued)
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The Village needs to establish written policies and procedures over the cash collection, recording and reconciliation process. This should help the Village Clerk maintain the records of the Village properly and ensure that the Village's accounting systems properly reflects the Village's existing cash situation.

There shouldn't be any adjustments made to the Village's accounting records without detailed documentation being maintained supporting the reasons for such adjustments. Such adjustments should also be approved by the Village's finance or audit committee.

All financial transactions for the Village (including transfers to other bank accounts or payments for debt service) need to be properly recorded to the Village's accounting system.

The Village must properly reconcile their bank accounts to the Village's accounting system every month on a timely basis (within 10-15 days after the end of each month if not sooner). Such reconciliations should be reviewed and approved by a responsible party (such as the Village's finance/audit committee) on a regular basis.

We recommend that the Village's finance committee monitor the bank reconciliation process so that the Village is aware of the status of their finances and that they can ensure that the Village doesn't get into the situation that they currently are in for the future.

Client Response: The Village has hired a new Fiscal Officer and ensured that the proper training is obtained to ensure that accounting records are properly and completely maintained.

FINDING NUMBER	2011-003
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MATERIAL NONCOMPLIANCE

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

The Sewer Debt Service Fund had fund balance deficits of \$335,791 and \$355,369 at year end 2011 and 2010, respectively. The Other Agency Fund had fund balance deficits of \$9,742 and \$8,705 at year end 2011 and 2010, respectively.

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

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

**Village of South Bloomfield
Pickaway County
Schedule of Findings (Continued)
December 31, 2011 and 2010**

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

FINDING NUMBER	2011-004
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MATERIAL NONCOMPLIANCE

Though no statutory provisions directly address inter-fund advances, the following requirements are in part derived from Ohio Rev. Code Sections: 5705.10 (restriction on the purpose for which funds may be used); 5705.14, 5705.15, and 5705.16 (transfer of funds); 5705.39 (appropriations limited to estimated resources); 5705.41 (restriction on appropriation/ expenditure of money); and 5705.36 (certification of available revenue). Auditor of State Bulletin 97-003 sets forth the requirements for inter-fund advances and provides additional guidance for recording such transactions. Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include a specific statement that the transaction is an advance of cash, and an indication of the money (fund) from which it is expected that the repayment will be made.

The Village Council meeting minutes did not reflect approval of an advance of \$26,000 to the Sewer Debt Service Fund from the Sewer Operating Fund.

The Village Council should approve all advances of funds prior to recording in the accounting system.

Client Response: The Village will ensure that all advances of funding are approved in the future.

FINDING NUMBER	2011-005
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MATERIAL WEAKNESS

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

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

- Property Tax revenues,
- Municipal Income Tax revenues,
- Intergovernmental revenues,
- Special Assessment revenues,
- Charges for Services revenues,
- Fines, License and Permits revenues,
- Earnings on Investments revenues,
- Miscellaneous revenues,
- General Government expense,
- Principal Payments expense,
- Interest and Fiscal Charges expense,
- Transportation expense,
- Other Financing Sources
- Other Financing Uses
- Fund Balance

**Village of South Bloomfield
Pickaway County
Schedule of Findings (Continued)
December 31, 2011 and 2010**

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

FINDING NUMBER	2011-005 (continued)
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All of the above noted adjustments have been posted to the financial statements and to the Village's UAN accounting system.

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

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

**Village of South Bloomfield
Pickaway County
Schedule of Prior Audit Findings
December 31, 2011 and 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	ORC 5705.36(A)(4) Appropriations in excess of available resources	No	Reissued as a management letter comment.
2009-002	ORC 5705.38 Appropriations at the legal level of control	Yes	
2009-003	ORC 5705.41(D) Proper use of Purchase orders	No	Reissued as 2011-001
2009-004	OAC 117-2-02A Sufficient accounting system	No	Reissued as 2011-002
2009-005	ORC 5705.14(E) Approval of transfers	Yes	
2009-006	ORC 5705.39 Appropriations in excess of estimated resources	No	Reissued as a management letter comment.
2009-007	ORC 5705.41(B) Expenditures in excess of appropriations	No	Reissued as a management letter comment.
2009-008	ORC 5705.10 Deficit fund balance	No	Reissued as 2011-003

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Dave Yost • Auditor of State

VILLAGE OF SOUTH BLOOMFIELD

PICKAWAY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 2, 2013**