



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2015 and 2014
Fiscal Years Audited Under GAGAS: 2015 and 2014

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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 BHM CPA Group, Inc., for the audit period January 1, 2014 through December 31, 2015. 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 Auditor of State is currently conducting an investigation related to the Village. As of the date of this report, the investigation is ongoing. Depending on the outcome, the results of the investigation may be reported at a later date.

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 cursive script that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

May 21, 2019

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Village of South Bloomfield
Pickaway County, Ohio
Table of Contents
For the Fiscal Years Ended December 31, 2015 and 2014

| Title | Page |
|---|-------------|
| Independent Auditor’s Report | 1 |
| Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2015 | 4 |
| Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Proprietary and Fiduciary Fund Types – For the Year Ended December 31, 2015 | 5 |
| Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2014 | 6 |
| Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Proprietary and Fiduciary Fund Types – For the Year Ended December 31, 2014 | 7 |
| Notes to the Financial Statements | 8 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> | 17 |
| Schedule of Findings | 19 |
| Schedule of Prior Audit Findings | 23 |

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bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of South Bloomfield, Pickaway County, (the Village), as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Government does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cashflows thereof for the years then ended.

Basis for Additional Opinion Qualification

The records of the Village Income Tax Department were not sufficient to provide adequate evidential support to provide assurance over income tax receipts for 2015 or 2014. Numerous income tax returns were not processed by the Village. The completeness of the delinquent income tax report could not be verified. Because of these issues we were unable to obtain sufficient appropriate audit evidence supporting the completeness and accuracy of the amounts recorded as municipal income tax. Those receipts represent 52% of total General Fund receipts for 2015 and 53% of total General Fund receipts for 2014. Consequently, we were unable to determine whether any adjustment to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion on Regulatory Basis of Accounting paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of South Bloomfield, Pickaway County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Village of South Bloomfield
Pickaway County
Independent Auditors' Report
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
March 30, 2017

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property and Local Taxes | \$ 67,455 | \$ - | \$ 67,455 |
| Municipal Income Tax | 343,058 | - | 343,058 |
| Intergovernmental | 19,939 | 89,727 | 109,666 |
| Special Assessments | 31,863 | 63,295 | 95,158 |
| Charges for Services | 114,849 | - | 114,849 |
| Fines, Licenses, and Permits | 70,682 | - | 70,682 |
| Earnings on Investments | 1,553 | - | 1,553 |
| Miscellaneous | 12,828 | 1,250 | 14,078 |
| | <u>662,227</u> | <u>154,272</u> | <u>816,499</u> |
| Total Cash Receipts | | | |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons & Property | 381,003 | 10,771 | 391,774 |
| Leisure Time Activities | 581 | 67,755 | 68,336 |
| Community Environment | 9,289 | - | 9,289 |
| Basic Utility Services | 123,609 | - | 123,609 |
| Transportation | - | 170,458 | 170,458 |
| General Government | 137,744 | - | 137,744 |
| | <u>652,226</u> | <u>248,984</u> | <u>901,210</u> |
| Total Cash Disbursements | | | |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 10,001 | (94,712) | (84,711) |
| <i>Net Change in Fund Cash Balances</i> | 10,001 | (94,712) | (84,711) |
| Fund Cash Balances, January 1 | <u>11,696</u> | <u>191,836</u> | <u>203,532</u> |
| Restricted | - | 97,124 | 97,124 |
| Unassigned | <u>21,697</u> | <u>-</u> | <u>21,697</u> |
| Fund Cash Balances, December 31 | <u><u>\$ 21,697</u></u> | <u><u>\$ 97,124</u></u> | <u><u>\$ 118,821</u></u> |

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | Proprietary Fund Type | Fiduciary Fund Type | Totals (Memorandum Only) |
|---|----------------------------------|--------------------------------|---|
| | Enterprise | Agency | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$ 1,107,398 | \$ - | \$ 1,107,398 |
| Miscellaneous | 8,636 | - | 8,636 |
| Total Operating Cash Receipts | 1,116,034 | - | 1,116,034 |
| Operating Cash Disbursements | | | |
| Personal services | 168,322 | - | 168,322 |
| Fringe benefits | 56,961 | - | 56,961 |
| Contractual services | 233,897 | 10,000 | 243,897 |
| Supplies and Materials | 67,000 | - | 67,000 |
| Other | 4,781 | - | 4,781 |
| Total Operating Cash Disbursements | 530,961 | 10,000 | 540,961 |
| <i>Operating Income (Loss)</i> | 585,073 | (10,000) | 575,073 |
| Non-Operating Receipts (Disbursements) | | | |
| Capital Outlay | (121,368) | - | (121,368) |
| Debt Service: | | | |
| Principal | (346,479) | - | (346,479) |
| Interest | (157,576) | - | (157,576) |
| Total Non-Operating Receipts (Disbursements) | (625,423) | - | (625,423) |
| <i>Income (Loss) Before Transfers</i> | (40,350) | (10,000) | (50,350) |
| <i>Net Change in Fund Cash Balances</i> | (40,350) | (10,000) | (50,350) |
| Fund Cash Balances, January 1 | 652,269 | 22,333 | 674,602 |
| Fund Cash Balances, December 31 | \$ 611,919 | \$ 12,333 | \$ 624,252 |

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | <u>Governmental Fund Types</u> | | Totals |
|---|--------------------------------|----------------------------|------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>(Memorandum Only)</u> |
| Cash Receipts: | | | |
| Property and Local Taxes | \$ 69,063 | \$ - | \$ 69,063 |
| Municipal Income Tax | 330,061 | - | 330,061 |
| Intergovernmental | 19,658 | 121,319 | 140,977 |
| Special Assessments | 20,067 | 13,808 | 33,875 |
| Charges for Services | 111,299 | - | 111,299 |
| Fines, Licenses, and Permits | 43,568 | - | 43,568 |
| Earnings on Investments | 1,502 | - | 1,502 |
| Miscellaneous | 25,252 | (4,779) | 20,473 |
| | <u>620,470</u> | <u>130,348</u> | <u>750,818</u> |
| Total Cash Receipts | | | |
| | <u>620,470</u> | <u>130,348</u> | <u>750,818</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons & Property | 312,262 | 23,337 | 335,599 |
| Leisure Time Activities | 2,588 | 17,000 | 19,588 |
| Community Environment | 11,381 | - | 11,381 |
| Basic Utility Services | 110,300 | - | 110,300 |
| Transportation | - | 146,904 | 146,904 |
| General Government | 138,650 | 1,846 | 140,496 |
| Capital Outlay | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Cash Disbursements | <u>575,181</u> | <u>189,087</u> | <u>764,268</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 45,289 | (58,739) | (13,450) |
| Other Financing Receipts (Disbursements): | | | |
| Other Uses | (15,834) | - | (15,834) |
| | <u>(15,834)</u> | <u>-</u> | <u>(15,834)</u> |
| Total Other Financing Receipts (Disbursements) | <u>(15,834)</u> | <u>-</u> | <u>(15,834)</u> |
| <i>Net Change in Fund Cash Balances</i> | 29,455 | (58,739) | (29,284) |
| Fund Cash Balances, January 1 | <u>(17,759)</u> | <u>250,571</u> | <u>232,812</u> |
| Restricted | - | 191,832 | 191,832 |
| Unassigned | 11,696 | - | 11,696 |
| | <u>11,696</u> | <u>-</u> | <u>11,696</u> |
| Fund Cash Balances, December 31 | <u>\$ 11,696</u> | <u>\$ 191,832</u> | <u>\$ 203,528</u> |

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

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | <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 | \$ 1,148,733 | \$ - | \$ 1,148,733 |
| Miscellaneous | 204 | - | 204 |
| | | | |
| Total Operating Cash Receipts | 1,148,937 | - | 1,148,937 |
| | | | |
| Operating Cash Disbursements | | | |
| Personal services | 142,726 | - | 142,726 |
| Fringe benefits | 55,965 | - | 55,965 |
| Contractual services | 187,227 | - | 187,227 |
| Supplies and Materials | 85,654 | - | 85,654 |
| Other | 408 | - | 408 |
| | | | |
| Total Operating Cash Disbursements | 471,980 | - | 471,980 |
| | | | |
| <i>Operating Income (Loss)</i> | 676,957 | - | 676,957 |
| | | | |
| Non-Operating Receipts (Disbursements) | | | |
| Capital Outlay | (78,653) | - | (78,653) |
| Debt Service: | | | |
| Principal | (376,533) | - | (376,533) |
| Interest | (96,842) | - | (96,842) |
| | | | |
| Total Non-Operating Receipts (Disbursements) | (552,028) | - | (552,028) |
| | | | |
| <i>Income (Loss) Before Transfers and Advances</i> | 124,929 | - | 124,929 |
| | | | |
| <i>Net Change in Fund Cash Balances</i> | 124,929 | - | 124,929 |
| | | | |
| Fund Cash Balances, January 1 | 527,340 | 22,333 | 549,673 |
| | | | |
| Fund Cash Balances, December 31 | <u>\$ 652,269</u> | <u>\$ 22,333</u> | <u>\$ 674,602</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, 2014 AND 2015**

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, waste removal services, 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund:

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds:

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund 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 to recover the significant costs of providing certain goods or services 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 Funds (Agency Fund):

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. 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, 2014 AND 2015**

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. 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 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 2015 and 2014 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, 2014 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (continued)

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

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

G. Property, Plant and Equipment

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. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2015**

2. EQUITY IN POOLED DEPOSITS

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

| | <u>2015</u> | <u>2014</u> |
|-----------------|------------------|------------------|
| Demand deposits | \$743,073 | \$878,130 |
| Total deposits: | <u>\$743,073</u> | <u>\$878,130</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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and December 31, 2014, was as follows:

2015 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|--------------------------|------------------------|--------------------|
| General | \$648,168 | \$662,227 | \$14,059 |
| Special Revenue | 247,442 | 154,272 | (93,170) |
| Enterprise | <u>1,863,377</u> | <u>1,116,034</u> | <u>(747,343)</u> |
| Total | <u>\$2,758,987</u> | <u>\$1,932,533</u> | <u>\$(826,454)</u> |

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2015**

3. BUDGETARY ACTIVITY (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Disbursements</u> | <u>Variance</u> |
|------------------|------------------------------------|----------------------|-----------------|
| General | \$638,180 | \$652,226 | \$(14,046) |
| Special Revenue | 233,296 | 248,984 | (15,688) |
| Enterprise | <u>1,185,348</u> | <u>1,156,384</u> | <u>28,964</u> |
| Total | <u>\$2,056,824</u> | <u>\$2,057,594</u> | <u>\$ (770)</u> |

2014 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|--------------------------|------------------------|--------------------|
| General | \$682,844 | \$620,470 | (\$62,374) |
| Special Revenue | 211,286 | 130,348 | (80,938) |
| Enterprise | <u>1,249,336</u> | <u>1,148,937</u> | <u>(100,399)</u> |
| Total | <u>\$2,143,466</u> | <u>\$1,899,755</u> | <u>\$(243,711)</u> |

2014 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Disbursements</u> | <u>Variance</u> |
|------------------|------------------------------------|----------------------|------------------|
| General | \$630,227 | \$591,015 | \$39,212 |
| Special Revenue | 187,004 | 189,087 | (2,083) |
| Enterprise | <u>1,214,726</u> | <u>1,024,008</u> | <u>190,718</u> |
| Total | <u>\$2,031,957</u> | <u>\$1,804,110</u> | <u>\$227,847</u> |

Contrary to Ohio Revised Code section 5705.41(B), budgetary expenditures exceeded appropriation authority in the State Highway fund by \$41,213 for the year ended December 31, 2014 and the General and Street funds in the amounts of \$14,046 and \$6,560 for the year ended December 31, 2015. Contrary to Ohio Revised Code section 5705.39, appropriations were in excess of estimated resources in the General Fund by \$41,794 for the year ended December 31, 2014 and in the Street, State Highway, and Permissive Tax Funds by \$78,388, \$16,011 and \$8,000, respectively for the year ended December 31, 2015.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2015**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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, 2015 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---|---------------------|----------------------|
| Ohio Water Development Authority Loan 100NR | \$ 199,534 | 7.21% |
| Ohio Water Development Authority Loan 1001NR | 71,407 | 7.14% |
| Ohio Water Development Authority Loan 1001NRS | 76,055 | 6.51% |
| Ohio Water Development Authority Loan NRS2 | 30,517 | 7.38% |
| Ohio Water Development Authority Loan 0250 | 582,427 | 2.00% |
| Ohio Water Development Authority Loan 4303 | 4,100,982 | 1.50% - 3.99% |
| Ohio Public Works Commission Loan CQ017 | 31,602 | 0.00% |
| Total | <u>\$ 5,092,524</u> | |

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2015**

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.

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

| | OWDA Loan 1000NR | OWDA Loan 1001NR | OWDA Loan 1001NRS | OWDA Loan 1001NRS2 | OWDA Loan 0250 | OWDA Loan 4303 |
|--------------------------|------------------------|------------------------|-------------------------|--------------------------|-------------------|-------------------|
| Year Ending December 31: | | | | | | |
| 2016 | \$ 90,344 | \$ 27,282 | \$ 28,720 | \$ 11,709 | \$ 84,422 | \$ 256,104 |
| 2017 | 90,344 | 27,282 | 28,720 | 11,709 | 84,422 | 256,104 |
| 2018 | 45,172 | 27,282 | 28,720 | 11,709 | 84,422 | 256,104 |
| 2019 | - | - | - | - | 84,422 | 256,104 |
| 2020 | - | - | - | - | 84,422 | 256,104 |
| 2021-2025 | - | - | - | - | 253,267 | 1,280,519 |
| 2026-2030 | - | - | - | - | - | 1,280,519 |
| 2031-2035 | - | - | - | - | - | 1,280,519 |
| 2036-2040 | - | - | - | - | - | 384,156 |
| Totals | \$ 225,860 | \$ 81,846 | \$ 86,160 | \$ 35,127 | \$ 675,377 | \$ 5,506,233 |

| | OPWC Loan CQ017 |
|--------------------------|--------------------|
| Year Ending December 31: | |
| 2016 | \$ 12,641 |
| 2017 | 12,641 |
| 2018 | 12,640 |
| 2019 | - |
| 2020 | - |
| Totals | \$ 37,922 |

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2015**

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 are cost-sharing, multiple-employer plans. 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. From January 1, 2014 through June 30, 2014, OP&F participants contributed 10.75% of their wages, from July 1, 2014 through July 30, 2015, OP&F participants contributed 11.5% of their wages, from July 1, 2015 through December 31, 2015, OP&F participants contributed 12.25% 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, 2015.

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. The grantor 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.



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of South Bloomfield, Pickaway County, (the Village) as of and for the years ended December 31, 2015 and 2014 and the related notes to the financial statements, and have issued our report thereon dated March 30, 2017, wherein we noted the Village followed financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the completeness and accuracy of the amounts recorded as municipal income tax receipts for the years ended December 31, 2015 and 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2015-002 and 2015-005 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, opining on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001, 2015-003 and 2015-004.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control testing and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
March 30, 2017

**Village of South Bloomfield
Pickaway County
Schedule of Findings
December 31, 2015 and 2014**

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

| | |
|-----------------------|-----------------|
| FINDING NUMBER | 2015-001 |
|-----------------------|-----------------|

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 or 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, 2015 and 2014**

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

| | |
|-----------------------|-----------------|
| FINDING NUMBER | 2015-002 |
|-----------------------|-----------------|

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 audit which have not been prevented or detected by the Village's internal controls over financial reporting. Misstatements were identified in the following areas:

- Intergovernmental revenues,
- Fund Balance

All 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 Findings (Continued)
December 31, 2015 and 2014**

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

| | |
|-----------------------|-----------------|
| FINDING NUMBER | 2015-003 |
|-----------------------|-----------------|

MATERIAL NONCOMPLIANCE

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Contrary to Ohio Revised Code section 5705.39, appropriations were in excess of estimated resources in the General fund by \$41,794 for the year ended December 31, 2014 and in the Street, State Highway, and Permissive Tax funds by \$78,388, \$16,011 and \$8,000, respectively for the year ended December 31, 2015.

The Village should ensure that all required certifications of funding and estimated resources are filed with the County Auditor, in order to obtain a Certificate of Estimated Resources.

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

| | |
|-----------------------|-----------------|
| FINDING NUMBER | 2015-004 |
|-----------------------|-----------------|

MATERIAL NONCOMPLIANCE

Ohio Revised Code Section 5705.41B states that no subdivision or taxing unit is to expend money unless it is appropriated.

The Village had expenditures in excess of appropriations in the General fund in the amount of \$41,213 during 2014 and the General and Street funds in the amounts of \$14,046 and \$6,560 during 2015.

The Village should take due care to ensure close budgetary monitoring, and amend appropriations when necessary to ensure that all expenditures are properly appropriated.

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, 2015 and 2014**

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

| | |
|-----------------------|-----------------|
| FINDING NUMBER | 2015-005 |
|-----------------------|-----------------|

Material Weakness – Income Tax Department Control

Village management has a responsibility to design and maintain internal controls over financial reporting, cash collections and processing.

During the audit, several deficiencies were identified in the internal controls over Income Tax collections and processing. The Village had numerous income tax returns that had been filed with the Income Tax Clerk but were not processed timely. The Village also kept a receivable aging report of unpaid income taxes that showed large outstanding balance of income taxes delinquent of more than \$600,000. This aging list was not being updated or maintained properly. During the audit the Village began contacting taxpayers on the aging report and found several instances wherein the taxpayer provided documentation, in the form of canceled checks, or Village found duplicate receipts to prove that the taxpayer had already paid the income taxes due. As a result of this the Village is continuing it's investigation and has contacted the Auditor of State's office regarding the matter.

As of the date of this audit report the Village has discovered \$11,099.76 of income tax monies that were not deposited into the Village's accounts. \$1,118.20 of the total was received in 2014, and \$157.00 was received in 2015. The remaining amounts that have been identified were received in previous years back to 2010.

Because of the deficiencies in the internal controls over income tax processing, and uncertainty of the accuracy of the delinquent income tax report, it was necessary for us to modify our opinion as it related to income tax receipts in the Auditor's Opinion Letter.

The Village should implement internal controls over financial reporting related to the collection and processing of tax returns and the reconciliation and maintenance of the income tax aging report.

The Village needs to develop written policies regarding the following areas, at a minimum over the income tax process:

1. Investigation and follow up on the income tax delinquency list. The Village needs to continue to work hard to research and document whether accounts listed in the income tax delinquency reports are legitimate or not. Supervisory approval should be required to make any adjustments, including removal of inaccurate balances.
2. Investigation and follow up on monies which were documented as having been received, but were not properly recorded as paid in the Village's income tax tracking software.
3. Timeliness of processing tax returns. Specific turnaround times over processing of tax returns must be established and then monitored to ensure that all returns are processed efficiently and timely.
4. Supervisory review of processed tax returns. Someone independent of the Income Tax clerk should review and approve processed returns and reconcile the amount reported as collected and remaining amounts due to the Village's income tax tracking software.

Client Response: The Village has employed a new Clerk over the Income Tax Department in 2015 and continues to investigate the outstanding balances in the Income Tax department. The Village has also implemented additional controls over the collection and processing of all over the counter cash receipts.

**Village of South Bloomfield
Pickaway County
Schedule of Prior Audit Findings
December 31, 2015 and 2014**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|---|------------------|---|
| 2013-001 | ORC 5705.41(D) Proper use of Purchase orders | No | Reissued as 2015-001 |
| 2013-002 | ORC 5705.10 Negative Fund Balance | Yes | |
| 2013-003 | Sound financial reporting | No | Reissued as 2015-002 |
| 2013-004 | ORC 5705.39 Appropriations in excess of estimated resources | No | Reissued as 2013-003 |
| 2013-005 | ORC 5705.41B Expenditures exceeding appropriations | No | Reissued as 2013-004 |
| 2013-006 | Material weakness – utility billing system | Yes | |
| 2013-007 | ORC 5705.14 Improper transfers/advances | Yes | |

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OHIO AUDITOR OF STATE KEITH FABER



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
JUNE 4, 2019**