



**Auditor of State  
Betty Montgomery**



VILLAGE OF BLOOMINGBURG  
FAYETTE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund And Similar Fiduciary Fund Types - For the Year Ended December 31, 2002.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund And Similar Fiduciary Fund Types - For the Year Ended December 31, 2001.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	19

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Bloomingburg  
Fayette County  
62 Main Street  
P.O. Box 186  
Bloomingburg, Ohio 43106

To the Village Council:

We have audited the accompanying financial statements of the Village of Bloomingburg, Fayette County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. 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.

Except as described in the following paragraph, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Village did not provide sufficient documentation supporting Miscellaneous receipts as recorded in the Special Revenue Fund during 2001. Without this evidential matter, we were unable to obtain sufficient evidence supporting the receipts recorded for the financial statements or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. The undocumented Miscellaneous receipts represent 11% of the total operating receipts recorded on the Special Revenue Fund financial statements.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for such adjustments, if any, might have been determined to be necessary had we been able to obtain sufficient documentation supporting 2001 Miscellaneous receipts, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

August 29, 2003

**VILLAGE OF BLOOMINGBURG  
FAYETTE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$33,457	\$13,563	\$0	\$0	\$47,020
Intergovernmental Receipts	46,861	36,038	0	0	82,899
Charges for Services	1,425	135	0	0	1,560
Fines, Licenses, and Permits	5,197	0	0	0	5,197
Earnings on Investments	2,356	0	0	0	2,356
Miscellaneous	2,626	3,113	0	0	5,739
<b>Total Cash Receipts</b>	<u>91,922</u>	<u>52,849</u>	<u>0</u>	<u>0</u>	<u>144,771</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	12,532	53,333	0	0	65,865
Public Health Services	1,900	25	0	0	1,925
Leisure Time Activities	575	2,192	0	0	2,767
Community Environment	12,288	0	0	0	12,288
Basic Utility Services	12,033	365	0	0	12,398
General Government	20,164	306	0	0	20,470
Debt Service:					
Principal Payments	855	855	14,000	0	15,710
Interest Payments	168	168	15,400	0	15,736
<b>Total Cash Disbursements</b>	<u>60,515</u>	<u>57,244</u>	<u>29,400</u>	<u>0</u>	<u>147,159</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>31,407</u>	<u>(4,395)</u>	<u>(29,400)</u>	<u>0</u>	<u>(2,388)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In		8,889	33,663	50,000	92,552
Transfers-Out	0	(8,889)	0	0	(8,889)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>0</u>	<u>0</u>	<u>33,663</u>	<u>50,000</u>	<u>83,663</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>31,407</u>	<u>(4,395)</u>	<u>4,263</u>	<u>50,000</u>	<u>81,275</u>
<b>Fund Cash Balances, January 1</b>	<u>34,888</u>	<u>41,120</u>	<u>32,536</u>	<u>0</u>	<u>108,544</u>
<b>Fund Cash Balances, December 31</b>	<u>\$66,295</u>	<u>\$36,725</u>	<u>\$36,799</u>	<u>\$50,000</u>	<u>\$189,819</u>

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

**VILLAGE OF BLOOMINGBURG  
FAYETTE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$221,857
Earnings on Investments	29
	221,886
Total Operating Cash Receipts	221,886
<b>Operating Cash Disbursements:</b>	
Personal Services	49,685
Fringe Benefits	15,860
Contractual Services	36,350
Supplies and Materials	53,249
Other	6,275
Capital Outlay	1,836
	163,255
Total Operating Cash Disbursements	163,255
Operating Income	58,631
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental Receipts	24,755
	24,755
Total Non-Operating Cash Receipts	24,755
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	1,711
Other Non-Operating Cash Disbursements	336
	2,047
Total Non-Operating Cash Disbursements	2,047
Excess of Receipts Over Disbursements Before Interfund Transfers	81,339
Transfers-Out	(83,663)
Net Receipts Over Disbursements	(2,324)
Fund Cash Balances, January 1	87,217
<b>Fund Cash Balances, December 31</b>	<b>\$84,893</b>

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



**VILLAGE OF BLOOMINGBURG  
FAYETTE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$31,340	\$12,700	\$0	\$44,040
Intergovernmental Receipts	44,548	39,192	0	83,740
Charges for Services	1,868	0	0	1,868
Fines, Licenses, and Permits	3,595	0	0	3,595
Earnings on Investments	1,906	0	0	1,906
Miscellaneous	4,419	6,855	0	11,274
	<u>87,676</u>	<u>58,747</u>	<u>0</u>	<u>146,423</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	22,463	38,044	0	60,507
Public Health Services	1,566	0	0	1,566
Leisure Time Activities	0	9,601	0	9,601
Community Environment	1,383	0	0	1,383
Basic Utility Services	3,351	525	0	3,876
Transportation	0	177	0	177
General Government	26,160	392	0	26,552
Debt Service:				
Principal Payments	189	189	14,000	14,378
Interest Payments	44	48	16,100	16,192
Capital Outlay	10,070	0	0	10,070
	<u>65,226</u>	<u>48,976</u>	<u>30,100</u>	<u>144,302</u>
Total Receipts Over/(Under) Disbursements	<u>22,450</u>	<u>9,771</u>	<u>(30,100)</u>	<u>2,121</u>
<b>Other Financing Receipts and Disbursements:</b>				
Proceeds from Sale of Notes	10,070	0	0	10,070
Transfers-In	0	0	35,636	35,636
Advances-In	1,500	1,500	0	3,000
Advances-Out	(1,500)	(1,500)	0	(3,000)
Other Financing Sources	0	82	0	82
	<u>10,070</u>	<u>82</u>	<u>35,636</u>	<u>45,788</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	32,520	9,853	5,536	47,909
Fund Cash Balances, January 1	<u>2,368</u>	<u>31,267</u>	<u>27,000</u>	<u>60,635</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$34,888</u></b>	<b><u>\$41,120</u></b>	<b><u>\$32,536</u></b>	<b><u>\$108,544</u></b>
Reserves for Encumbrances, December 31	<u>\$6,471</u>	<u>\$334</u>	<u>\$3,100</u>	<u>\$9,905</u>

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

**VILLAGE OF BLOOMINGBURG  
FAYETTE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$233,583
Earnings on Investments	58
Miscellaneous	297
	233,938
Total Operating Cash Receipts	233,938
<b>Operating Cash Disbursements:</b>	
Personal Services	43,337
Fringe Benefits	18,013
Contractual Services	37,902
Supplies and Materials	29,904
Other	4,535
Capital Outlay	5,948
	139,639
Total Operating Cash Disbursements	139,639
Operating Income	94,299
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	378
Other Non-Operating Cash Disbursements	97
	475
Total Non-Operating Cash Disbursements	475
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	93,824
Transfers-Out	(35,636)
Net Receipts Over Disbursements	58,188
Fund Cash Balances, January 1	29,029
<b>Fund Cash Balances, December 31</b>	<b>\$87,217</b>
Reserve for Encumbrances, December 31	\$24,280

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

**VILLAGE OF BLOOMINGBURG  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Bloomingburg, Fayette County, Ohio (the Village), is a body corporate and politic 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, and police services. The Village contracts with the Fayette County Sheriff's department to provide security of persons and property.

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

**B. Basis of Accounting**

These financial statements follow the 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 Deposits**

During the fiscal years 2002 and 2001, the Village's funds were deposited in a checking account with a local commercial bank.

**D. Fund Accounting**

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

**1. General Fund**

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

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

**VILLAGE OF BLOOMINGBURG  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**2. Special Revenue Fund (Continued)**

*Fire Levy Fund* – This fund receives proceeds of a special levy for maintaining and improvements to the Bloomingburg-Paint-Marion Joint Fire District for fire protection for the Village.

- 3. Debt Service Fund** – This fund is used to accumulate resources for the payment of bonds and note indebtedness.

**4. Capital Project Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following capital project fund:

*OPWC Fund* - This fund receives money from Ohio Public Works Commission for a sewer treatment project.

**5. 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.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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.

**VILLAGE OF BLOOMINGBURG  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. There were no material unrecorded encumbrances outstanding at December 31, 2002 and 2001. The Village did not encumber all commitments as required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. 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.

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND DEPOSITS**

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 deposits at December 31 was as follows:

	<u>2002</u>	<u>2001</u>
Demand deposits	<u>\$274,712</u>	<u>\$195,761</u>

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

**VILLAGE OF BLOOMINGBURG  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$109,160	\$91,922	(\$17,238)
Special Revenue	56,380	61,738	5,358
Debt Service	30,100	33,663	3,563
Capital Projects	0	50,000	50,000
Enterprise	269,000	246,965	(22,035)
Total	<u>\$464,640</u>	<u>\$484,288</u>	<u>\$19,648</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,738	\$60,515	\$15,223
Special Revenue	86,634	66,133	20,501
Debt Service	33,200	29,400	3,800
Capital Projects	0	0	0
Enterprise	233,392	248,965	(15,573)
Total	<u>\$428,964</u>	<u>\$405,013</u>	<u>\$23,951</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$96,700	\$99,246	\$2,546
Special Revenue	58,270	60,329	2,059
Debt Service	27,000	35,636	8,636
Enterprise	249,000	233,938	(15,062)
Total	<u>\$430,970</u>	<u>\$429,149</u>	<u>(\$1,821)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,843	\$73,197	(\$5,354)
Special Revenue	61,600	50,810	10,790
Debt Service	30,100	33,200	(3,100)
Enterprise	216,118	200,030	16,088
Total	<u>\$375,661</u>	<u>\$357,237</u>	<u>\$18,424</u>

The Village did not obtain prior certification of the fiscal officer for certain commitments.

**VILLAGE OF BLOOMINGBURG  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water Revenue Mortgage Bonds	\$87,000	5.00%
Sewer Mortgage Loan	207,000	5.00%
Ohio Public Works Commission Loan	24,755	5.00%
Truck Note	6,145	7.50%
Total	<u>\$324,900</u>	

The Water Mortgage Bonds were established in 1976 at an original amount of \$150,000 at 5% interest and will expire in 2016. Annual payments, including interest and principal, are due in March of each year to GMAC Commercial Mortgage Company. The loan is collateralized by water receipts.

The Sewer Mortgage Loan was established in 1981 at an original cost of \$344,822 at 5% interest and is scheduled to expire in 2016. Annual payments are due in March of each year to include principal and interest. This note is payable to GMAC Commercial Mortgage Company. The loan is collateralized by sewer receipts.

The Ohio Public Works Commission (OPWC) loan CO16F/CO1717F relates to the wastewater treatment plant project. The OPWC has approved up to \$303,300 in loans to the Village for this project, of which \$24,755 was received during 2002. Work on the project began in the fall of 2002. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

During September 2001, the Village signed a note for \$10,070 with Merchants National Bank to finance the purchase of a 2001 Ford Ranger truck to be used for the Village's street and water department. The loan is to be repaid at 7.5% interest over four (4) years with final loan payment in October, 2004. Monthly payments of \$315 are being made from the General Fund, Street Fund, Water and Sewer Fund. The note is secured by the 2001 Ford Ranger.

**VILLAGE OF BLOOMINGBURG  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. DEBT (Continued)**

Amortization of the above debt for the Water Mortgage Bonds, the Sewer Mortgage Loan and the 2001 Ford Ranger Truck note, including interest, is scheduled as follows:

Year ending December 31:	Water Mortgage Bonds	Sewer Mortgage Loan	2001 Ford Ranger Truck Note
2003	\$8,350	\$21,350	\$3,464
2004	9,150	20,800	3,149
2005	8,900	21,250	
2006	8,650	20,650	
2007	8,400	21,050	
Subsequent	79,650	187,500	
Total	<u>\$123,100</u>	<u>\$292,600</u>	<u>\$6,613</u>

Amortization of the OPWC loan is not presented because the Village will receive the majority of the loan proceeds during 2003. The loan is scheduled to be repaid in semiannual installments of \$10,100 over 15 years; however, this schedule will be adjusted to reflect any revisions in amounts actually borrowed.

**6. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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





**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Bloomingburg  
Fayette County  
62 Main Street  
P.O. Box 186  
Bloomingburg, Ohio 43106

To the Village Council:

We have audited the accompanying financial statements of the Village of Bloomingburg, Fayette County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 29, 2003, wherein we noted that the Village did not provide sufficient documentation for the Miscellaneous receipts as recorded in the Special Revenue Fund. Except as noted in the preceding sentence, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2002-001 through 2002-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 29, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001 through 2002-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-001, 2002-004 and 2002-005 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 29, 2003.

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

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

**Betty Montgomery**  
Auditor of State

August 29, 2003

VILLAGE OF BLOOMINGBURG  
FAYETTE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS  
FINDING NUMBER 2002-001

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriate for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificated shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

- A. 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 order and at the time of the certificate, available, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 (\$3,000 effective 4/7/03), the Clerk may authorize payment through a Then and Now Certificate without affirmation of Council, if such expenditure is otherwise valid.

Sixty four percent of the expenditures tested were executed without first obtaining the fiscal officer's certification and did not meet the exceptions provided for in the Ohio Revised Code. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending of the Village funds and negative cash fund balances. The Village should obtain purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. The accompanying financial statements were adjusted to include unrecorded encumbrances existing at December 31, 2001 in the General and Enterprise Funds.

**FINDING NUMBER 2002-002**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 733.28, states that the village clerk should keep the books of the village, exhibit accurate statements of all moneys received and expended, all property owned by the Village and income derived there from, and all taxes and assessments. Although the Village Clerk did maintain accounting records, the records contained numerous posting errors. As a result, the records maintained by the Clerk were not an accurate reflection of all moneys received and expended. The audited 2002 and 2001 financial statements include numerous audit adjustments and reclassifications.

Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds, 2) reduces the Councils' ability to monitor financial activity, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the Village's financial statements will be misstated.

We recommend the Clerk accurately maintain the Village's accounting records. In addition, all supporting documentation of receipts should be maintained. For added accountability, we recommend Council review all bank reconciliations and financial reports for accuracy and ensure that all reconciling items are justified.

**FINDING NUMBER 2002-003**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code Section 5705.09, states that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose. Ohio Rev. Code, Section 5705.10, provides that monies paid into any fund shall be used only for the purpose for which such fund is established. The Village received monies for the Bloomingburg Village Hoedown Festival and deposited these funds into a separate checking account. These receipts and disbursements were not recorded in the Village's books. Failure to properly record all transactions reduces internal control over receipts and disbursements and increases the probability of misappropriation, errors, or loss of public funds not being detected in a timely manner. To improve help internal control and accountability we recommend that the Clerk refer to the *Ohio Village Handbook* appendix, and the Uniform Accounting Network Accounting Manual. The Village Council should also review records periodically to ensure that receipts and disbursements are being properly posted. The Village agreed with these adjustments and they were made to the Village's ledgers and in the accompanying financial statements.

	<b>General Fund</b>	<b>Street Fund</b>	<b>State Highway Fund</b>	<b>Fire Fund</b>	<b>Parks and Recreation Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Water Reserve Fund</b>
2001	(\$ 3)	\$0	\$0	\$1,503	(\$771)	\$0	\$0	\$3,084
2002	<u>(1,549)</u>	<u>249</u>	<u>(249)</u>	<u>1,549</u>	<u>281</u>	<u>8,333</u>	<u>(8,333)</u>	<u>29</u>
Total	(\$1,552)	\$249	(\$249)	3,052	(\$490)	\$8,333	(\$8,333)	\$3,113

#### **FINDING NUMBER 2002-004**

##### **Non-Compliance Citation/Material Weakness**

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

During the audit period, the Village did not provide complete documentation of the following items:

1. Vouchers and supporting documentation for expenditures for the Bloomingburg Hoedown Festival;
2. Duplicate receipts and/or supporting documentation for monies received from the Bloomingburg Hoedown Festival (adjusted onto the financial statements as Miscellaneous receipts).

We were unable to audit the miscellaneous receipts or to perform alternative auditing procedures to ensure accountability over the applicable receipts. The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

#### **FINDING NUMBER 2002-005**

##### **Material Weakness**

The Village had several internal control weaknesses and there appeared to be few policies, procedures, and accounting controls instituted by the Village Council or management to review monthly financial records and reports or monthly bills. This may create an environment which promotes future fraud or misappropriation of funds. The following weaknesses were noted:

- Council did not perform monitoring functions such as reviewing monthly financial records, approving bills and establishing controls over the receipt cycle;
- The minutes did not include a list of bills approved for payment from the Hoedown Community Festival;
- Invoices contained no indication (e.g. , initials) that someone had performed a comparison between the items included on the invoices and the items received;
- Invoices were not always attached to the voucher packet nor were they always kept on file;
- Vouchers were not maintained in numerical sequence;
- The checks from the Hoedown Community Festival checking account were signed only by the citizen assigned to maintain the festival records;
- The minutes did not include all significant actions taken by the Council;
- Expenditures from the Hoedown Community Festival were not posted to the Village's books.

**FINDING NUMBER 2002-005  
(Continued)**

The lack of timely financial reports and accurate fund balances significantly reduces the Council's ability to monitor the Village's financial position. In addition, the lack of control over invoices and goods/services received resulted in unauthorized payments and unaccounted for checks.

To strengthen the Village's internal control structure and reduce the likelihood of undetected errors, we recommend officials implement the following controls:

- Monthly financial reports be prepared and submitted to the Council for all of the Village activity. This submission should occur prior to the regular meetings so that Council members have an opportunity to review the information and ask informed questions at the Council meetings. Discussion of the monthly financial reports should be documented in the minutes;
- When invoices are received, a comparison should be made between the goods/services included on the invoice and the goods/services received. The official/department head which received the goods should perform this comparison and indicate his/her review by initializing the invoice. The initials indicate the goods/services were received and the invoice is approved for payment. Invoices should be attached to all voucher packets;
- Once invoices have been approved for payment, the Clerk/Treasurer should issue the corresponding check and stamp the invoice "Paid." The invoice should be filed with the voucher packet; and
- All checks should be prepared and signed only by the Clerk/Treasurer. Prior to signing the checks, the Council should agree the vendor name and amount on the check to the invoice;
- Vouchers packets should be maintained in numerical sequence;
- Duplicate receipts should be written for receipts received by the Village.

**FINDING NUMBER 2002-006**

**Reportable Condition**

The Clerk/Treasurer performs all the financial record keeping including receipting, depositing, check writing, check signing and posting. This does not allow for an adequate segregation of duties. In addition, the checking account for the Bloomingburg Hoedown Festival did not reconcile to the subsidiary records maintained by the Village. The weakness of this system is that it allows for diversion of funds through possible alteration of source documents. Also, bookkeeping errors occurred without detection in a timely manner.

To ensure accountability and to strengthen internal accounting controls, officials should periodically review the records, (i.e. reconciliations, etc), and required signatures should be written for all checks, to determine accuracy and to verify that proper procedures were followed by the fiscal officer. These periodic reviews should be noted in the minutes, and documents reviewed should be initialed by the reviewer. Council should designate either a member of Council or an employee with knowledge of the accounting system to perform this function.

**VILLAGE OF BLOOMINGBURG  
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2000-30624-001	The Village had negative fund balances contrary to ORC 5705.10	Yes	
2000-30624-002	Village books were not maintained in accordance with ORC 733.28	No	Reissued as Finding 2002-002
2000-30624-003	Funds were not properly encumbered.	No	Reissued as Finding 2002-001
2000-30624-004	The minute record and payroll expenditures were not properly maintained	Yes	
2000-30624-005	The Village did not maintain a receipt ledger	Yes	
2000-30624-006	The Village did not maintain an appropriation ledger	Yes	
2000-30624-007	Appropriations exceeded estimated resources in the Water Fund contrary to ORC 5705.39	No	Partially Corrected - Reissued in the Management Letter
2000-30624-008	Disbursements exceeded appropriations in various funds contrary to ORC 5705.41B	No	Partially Corrected - Reissued in the Management Letter
2000-30624-009	Finding for Recovery against former Clerk, Sara Melvin in the amount of \$892.50	Yes	







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**VILLAGE OF BLOOMINGBURG**

**FAYETTE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 2, 2003**