

Village of Bremen

Fairfield County, Ohio

Regular Audit

For the Years Ended December 31, 2004 and 2003

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Village Council
Village of Bremen
9090 Marietta Rd.
Bremen, Ohio 43107

We have reviewed the *Independent Auditor's Report* of the Village of Bremen, Fairfield County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2003 through December 31, 2004. 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.

Finding for Recovery Repaid Under Audit

During the period March 2003 through July 2006, Damon Thaxton was employed by the Village of Bremen in the street department. Also, during that period, Sue Henwood, the Village Administrator, approved his payroll, including leave time taken. As a result, additional procedures were performed to reconstruct accumulated leave earned and taken. The reconstruction was based on the following policies:

Sick leave – Each employee shall receive one day sick leave for each calendar month of employment with the Village. An employee of the Village of Bremen may accumulate no more than a maximum of thirty days accumulated sick leave.

Personal leave – All full time employees will be granted 3 days per year personal.

Vacation – All full time employees shall be eligible for the following vacation pay:

- One weeks pay after one full year of service
- Two weeks pay after 2 full years of service
- Three weeks pay after 6 full years of service

In addition, the Village grants 1.5 hours of compensatory time for each overtime hour worked.

Damon Thaxton had accumulated 8.5 hours of sick leave at the time his employment ended, but was overpaid for compensatory time, personal leave and vacation leave as follows:

	2003 Hourly rate of \$11.00	2004 Hourly rate of \$11.50	2005 Hourly rate of \$12.50	2006 Hourly rate of \$12.75	Total
Comp time	13 hours = \$143	8 hours = \$92	1.5 hours = \$18.75		\$253.75
Sick leave				Accumulated 8.5 hours = (\$108.36)	(\$108.36)
Personal leave	11.5 hrs = \$126.50	41.5 hours = \$477.25		Accumulated 1 hour = (\$12.50)	\$591.25
Vacation				6 hours at \$12.75 = \$76.50	\$76.50
Total \$ amount	\$269.50	\$569.25	\$18.75	(\$44.36)	\$813.14

In accordance with the foregoing facts and pursuant to Ohio Rev, Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Damon Thaxton, former employee of the Village and Sue Henwood, Village Administrator, jointly and severally, in the amount of \$813.14 and in favor of the Village of Bremen.

On November 29, 2006, the Village Administrator repaid the finding for recovery in full.

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.

Village Council
Village of Bremen
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Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Bremen is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

December 11, 2006

Village of Bremen, Ohio
For the Years Ended December 31, 2004 and 2003
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Independent Auditor's Report

Village Council
Village of Bremen
Fairfield County, Ohio
P.O. Box 127
Bremen, Ohio 43107

We have audited the accompanying financial statements of the Village of Bremen, Fairfield County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village, as of the December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.
December 29, 2005

Village of Bremen, Ohio
*Combined Statement of Cash Receipts, Cash Disbursements, And Changes in Fund Cash
Balances - All Governmental Fund Types
For the Year Ended December 31, 2004*

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$36,249	\$0	\$36,249
Income Taxes	208,424	0	208,424
Intergovernmental	26,026	57,962	83,988
Fines, Licenses, & Permits	7,628	0	7,628
Interest	2,678	0	2,678
Miscellaneous	6,742	1,325	8,067
Total Cash Receipts	<u>287,747</u>	<u>59,287</u>	<u>347,034</u>
Cash Disbursements:			
Security of Persons & Property	97,515	0	97,515
Public Health Service	2,120	0	2,120
Leisure Time Activities	10,501	0	10,501
Transportation	76,919	137,204	214,123
General Government	83,507	0	83,507
Capital Outlay	0	4,507	4,507
Debt Service:			
Principal Payments	0	6,535	6,535
Interest & Fiscal Charges	0	750	750
Total Cash Disbursements	<u>270,562</u>	<u>148,996</u>	<u>419,558</u>
Total Cash Receipts Over/(Under) Cash Disbursements	17,185	(89,709)	(72,524)
Other Financing Sources/(Uses):			
Transfers In	0	102,170	102,170
Transfers Out	<u>(117,170)</u>	<u>0</u>	<u>(117,170)</u>
Total Other Financing Sources/(Uses)	<u>(117,170)</u>	<u>102,170</u>	<u>(15,000)</u>
Total Receipts and Other Financing Sources Over/ (Under) Disbursements and Other Financing Uses	(99,985)	12,461	(87,524)
Fund Cash Balances, January 1	<u>167,865</u>	<u>17,112</u>	<u>184,977</u>
Fund Cash Balances, December 31	<u>\$67,880</u>	<u>\$29,573</u>	<u>\$97,453</u>
Reserved for Encumbrances, December 31	<u>\$0</u>	<u>\$189</u>	<u>\$189</u>

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

Village of Bremen, Ohio
*Combined Statement of Cash Receipts, Cash Disbursements, and
 Changes in Fund Cash Balances - Proprietary Fund Type
 For the Year Ended December 31, 2004*

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$475,904
Miscellaneous	8,560
Total Operating Cash Receipts	484,464
Operating Cash Disbursements:	
Personal Services	150,082
Employee Fringe Benefits	31,694
Contractual Services	108,277
Supplies and Materials	109,398
Miscellaneous	7,000
Total Operating Cash Disbursements	406,451
Operating Income	78,013
Non-Operating Disbursements:	
Redemption of Principal	(54,667)
Interest and Other Fiscal Charges	(35,930)
Total Non-Operating Disbursements	(90,597)
Loss Before Interfund Transfers	(12,584)
Other Financing Sources:	
Operating Transfers In	15,000
Total Other Financing Sources	15,000
Total Receipts and Other Financing Sources Over Disbursements	2,416
Fund Cash Balance, January 1	101,537
Fund Cash Balance, December 31	\$103,953
Reserved for Encumbrances, December 31	\$315

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

Village of Bremen, Ohio
*Combined Statement of Cash Receipts, Cash Disbursements, And Changes in Fund Cash
Balances - All Governmental Fund Types
For the Year Ended December 31, 2003*

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$66,476	\$0	\$66,476
Income Taxes	184,580	0	184,580
Intergovernmental	56,902	51,690	108,592
Fines, Licenses, & Permits	8,806	0	8,806
Interest	3,430	0	3,430
Miscellaneous	4,479	0	4,479
Total Cash Receipts	<u>324,673</u>	<u>51,690</u>	<u>376,363</u>
Cash Disbursements:			
Security of Persons & Property	90,373	1	90,374
Public Health Service	2,207	0	2,207
Leisure Time Activities	11,636	0	11,636
Transportation	28,541	147,719	176,260
General Government	81,267	0	81,267
Capital Outlay	0	770	770
Total Cash Disbursements	<u>214,024</u>	<u>148,490</u>	<u>362,514</u>
Total Cash Receipts Over/(Under) Cash Disbursements	110,649	(96,800)	13,849
Other Financing Sources/(Uses):			
Transfers In	0	90,379	90,379
Transfers Out	(105,379)	0	(105,379)
Total Other Financing Sources/(Uses)	<u>(105,379)</u>	<u>90,379</u>	<u>(15,000)</u>
Total Receipts and Other Financing Sources Over/ (Under) Disbursements and Other Financing Uses	5,270	(6,421)	(1,151)
Fund Cash Balances, January 1	<u>162,595</u>	<u>23,533</u>	<u>186,128</u>
Fund Cash Balances, December 31	<u>\$167,865</u>	<u>\$17,112</u>	<u>\$184,977</u>
Reserved for Encumbrances, December 31	<u>\$0</u>	<u>\$189</u>	<u>\$189</u>

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

Village of Bremen, Ohio
*Combined Statement of Cash Receipts, Cash Disbursements, and
 Changes in Fund Cash Balances - Proprietary Fund Type
 For the Year Ended December 31, 2003*

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$442,714
Miscellaneous	193
Total Operating Cash Receipts	442,907
Operating Cash Disbursements:	
Personal Services	130,741
Employee Fringe Benefits	26,349
Contractual Services	126,782
Supplies and Materials	83,208
Capital Outlay	13,939
Total Operating Cash Disbursements	381,019
Operating Income	61,888
Non-Operating Receipts/(Disbursements):	
Intergovernmental	22,421
Proceeds from Debt	30,000
Redemption of Principal	(74,745)
Interest and Other Fiscal Charges	(42,998)
Total Non-Operating Receipts/(Disbursements)	(65,322)
Loss Before Interfund Transfers	(3,434)
Other Financing Sources:	
Operating Transfers In	15,000
Total Other Financing Sources	15,000
Total Receipts and Other Financing Sources Over Disbursements	11,566
Fund Cash Balance, January 1	89,971
Fund Cash Balance, December 31	\$101,537
Reserved for Encumbrances, December 31	\$314

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

Village of Bremen
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Fund Accounting

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

General Fund:

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

Special Revenue Funds:

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

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

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.

Village of Bremen
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

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

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

E. Property, Plant and Equipment

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

F. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH

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

	<u>2004</u>	<u>2003</u>
Demand Deposits	\$201,406	\$286,514

Deposits:

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

Village of Bremen
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

3. BUDGETARY ACTIVITY

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

2004 Budgeted to Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$340,560	\$287,747	(\$52,813)
Special Revenue	188,108	161,457	(26,651)
Enterprise	562,902	499,464	(63,438)
Total	\$1,091,570	\$948,668	(\$142,902)

2004 Budgeted to Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$503,782	\$387,732	\$116,050
Special Revenue	205,219	149,185	56,034
Enterprise	659,941	497,363	162,578
Total	\$1,368,942	\$1,034,280	\$334,662

2003 Budgeted to Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$321,556	\$324,673	\$3,117
Special Revenue	176,889	142,069	(34,820)
Enterprise	660,349	510,328	(150,021)
Total	\$1,158,794	\$977,070	(\$181,724)

2003 Budgeted to Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$483,823	\$319,403	\$164,420
Special Revenue	200,421	148,679	51,742
Enterprise	719,340	499,076	220,264
Total	\$1,403,584	\$967,158	\$436,426

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.

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.

Village of Bremen
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Ohio Public Works Loan – 2000	\$119,010	0%
Ohio Water Development Authority – 1987	393,823	9.78%
First Bremen Bank – 2003	20,940	3.75%
Total	\$533,773	

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

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

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

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

Year Ending December 31:	OWDA Loan	OPWC Loan	First Bremen Bank
2005	\$80,184	\$7,438	\$8,145
2006	80,184	7,438	8,145
2007	80,184	7,438	6,056
2008	80,184	7,438	0
2009	80,184	7,438	0
Subsequent	160,368	81,820	0
Total	\$561,288	\$119,010	\$22,346

6. CAPITAL LEASES

During the audit period, the Village entered into capitalized leases for equipment and vehicles. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental and enterprise funds.

Village of Bremen
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

6. CAPITAL LEASES (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2004:

Year Ending December 31:	Payments
2005	\$13,938
2006	13,938
2007	<u>13,212</u>
Total	41,088
Less: Amount Representing Interest	<u>4,210</u>
Present Value of Net Minimum Lease Payments	<u>\$36,878</u>

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, members of PERS contributed 8.5% of gross wages. The Village contributed an amount equal to 13.55% of participants' gross wages. The Village has paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

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

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

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

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

9. SUBSEQUENT EVENT

In January 2005, the Village's sewer lines incurred severe flood damage. The project was declared an emergency and the Village entered into contracts for the repairs. The Village was awarded grant monies from FEMA in the amount of \$56,256 to aid the Village in making these repairs. Furthermore, the Ohio Water Development Authority forgave the Village's debt requirements for 2005 to provide additional economic relief. This relief amounted to \$68,896.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Village Council
Village of Bremen
Fairfield County, Ohio
P.O. Box 127
Bremen, Ohio 43107

We have audited the accompanying financial statements of the Village of Bremen, Fairfield County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 29, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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 grant agreements, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters which we reported to management of the Village in a separate letter dated December 29, 2005.

Village of Bremen

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

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This report is intended solely for the information and use of management, members of the Board, and other officials authorized to receive this report under §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 cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 29, 2005

Village of Bremen
Schedule of Prior Audit Findings
For the Years Ended December 31, 2004 and 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Failure to pass appropriation measure	Yes	
2002-002	Expenditures in excess of appropriations	Yes	
2002-003	Failure to obtain signed certifications as to the availability of funds/failure to timely encumber funds prior to expenditure.	No	Not Corrected. Reissued in management letter.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

VILLAGE OF BREMEN

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 21, 2006**