

***VILLAGE OF BOWERSTON
HARRISON COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2010 & 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Members of Council
Village of Bowerston
PO Box 262
Bowerston, Ohio 44695-0262

We have reviewed the *Report of Independent Accountants* of the Village of Bowerston, Harrison County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* 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 *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

May 5, 2011

This Page is Intentionally Left Blank.

**VILLAGE OF BOWERSTON
HARRISON COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2010 & 2009**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Report of Independent Accountants	1-2
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009	4
Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances- All Proprietary Funds For the Year Ended December 31, 2010	5
Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances- All Proprietary Funds For the Year Ended December 31, 2009	6
Notes to the Financial Statements	7-15
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	16-17
Schedule of Findings	18
Schedule of Prior Audit Findings	19

Rockefeller Building
614 W Superior Ave Ste1242
Cleveland OH 44113-1306
Phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Bowerston
Harrison County
P O Box 262
205 Water Alley
Bowerston, Ohio 44695

To the Village Council:

We have audited the accompanying financial statements of the Village of Bowerston, Harrison County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 years ended December 31, 2010 and 2009. Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2010 and 2009. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009, 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, 2010 and 2009, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Bowerston, Harrison County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2010 and 2009. 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 April 15, 2011, 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, 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.

A handwritten signature in black ink that reads "Charles E. Harris" followed by a stylized flourish.

Charles E. Harris & Associates, Inc.
April 15, 2011

VILLAGE OF BOWERSTON
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2010

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Property and Local Taxes	\$ 8,952	\$ 7,858	-	-	\$ 16,810
Municipal Income Taxes	57,977	-	-	\$ 6,385	64,362
Intergovernmental	22,058	14,000	-	-	36,058
Charges for Services	-	1,250	-	-	1,250
Fines, Licenses and Permits	1,396	-	-	-	1,396
Earnings on Investments	546	45	-	-	591
Miscellaneous	1,664	8	-	-	1,672
Total Receipts	92,593	23,161	-	6,385	122,139
Disbursements:					
Current:					
Security of Persons & Property	15,209	-	-	-	15,209
Public Health Services	500	-	-	-	500
Leisure Time Activities	298	4,206	-	-	4,504
Community Environment	1,300	-	-	-	1,300
Basic Utility Services	753	-	-	-	753
Transportation	-	11,771	-	-	11,771
General Government	88,487	11,545	-	2,236	102,268
Capital Outlay	-	-	-	9,500	9,500
Debt Service:					
Principal	-	-	\$ 2,500	-	2,500
Total Disbursements	106,547	27,522	2,500	11,736	148,305
Total Receipts Over/(Under) Disbursements	(13,954)	(4,361)	(2,500)	(5,351)	(26,166)
Other Financing Sources/(Uses):					
Other Financing Uses	(25,648)	-	-	-	(25,648)
Total Other Financing Sources/(Uses)	(25,648)	-	-	-	(25,648)
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	(39,602)	(4,361)	(2,500)	(5,351)	(51,814)
Fund Cash Balance, January 1, 2010	140,440	34,846	20,250	37,393	232,929
Fund Cash Balance, December 31, 2010	\$ 100,838	\$ 30,485	\$ 17,750	32,042	\$ 181,115

See Accompanying Notes to the Financial Statements.

VILLAGE OF BOWERSTON
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2009

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Property and Local Taxes	\$ 6,978	\$ 10,417	-	-	\$ 17,395
Municipal Income Taxes	80,991	-	-	\$ 8,938	89,929
Intergovernmental	22,116	13,449	-	19,061	54,626
Charges for Services	1,225	-	-	-	1,225
Fines, Licenses and Permits	871	-	-	-	871
Earnings on Investments	1,462	142	-	-	1,604
Miscellaneous	1,403	-	-	-	1,403
Total Receipts	115,046	24,008	-	27,999	167,053
Disbursements:					
Current:					
Security of Persons & Property	13,720	-	-	-	13,720
Public Health Services	532	-	-	-	532
Leisure Time Activities	5,126	3,172	-	-	8,298
Community Environment	3,620	-	-	-	3,620
Basic Utility Services	710	-	-	-	710
Transportation	5,019	13,057	-	3,900	21,976
General Government	86,862	6,734	-	-	93,596
Capital Outlay	-	-	-	36,066	36,066
Debt Service:					
Principal	-	-	\$ 5,000	-	5,000
Total Disbursements	115,589	22,963	5,000	39,966	183,518
Total Receipts Over/(Under) Disbursements	(543)	1,045	(5,000)	(11,967)	(16,465)
Other Financing Sources/(Uses):					
Transfers-In	6,384	5,760	-	-	12,144
Transfers-Out	(14,460)	-	-	(22,881)	(37,341)
Total Other Financing Sources/(Uses)	(8,076)	5,760	-	(22,881)	(25,197)
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	(8,619)	6,805	(5,000)	(34,848)	(41,662)
Fund Cash Balance, January 1, 2009	149,059	28,041	25,250	72,241	274,591
Fund Cash Balance, December 31, 2009	\$ 140,440	\$ 34,846	\$ 20,250	\$ 37,393	\$ 232,929

See Accompanying Notes to the Financial Statements.

**VILLAGE OF BOWERSTON
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
All Proprietary Funds
For the Year Ended December 31, 2010**

	Proprietary Fund Types
	Enterprise
Receipts:	
Charges for Services	\$ 132,678
Total Receipts	132,678
Disbursements:	
Personal Services	39,731
Employee Fringe Benefits	3,233
Contractual Services	20,982
Materials and Supplies	11,094
Total Disbursements	75,040
Excess of Receipts Over (Under) Disbursements	57,638
Nonoperating Receipts (Disbursements):	
Debt Service:	
Principal	(24,884)
Interest	(19,887)
Total Nonoperating Receipts (Disbursements)	(44,771)
Net Receipts Over (Under) Disbursements	12,867
Fund Balance, January 1, 2010	110,327
Fund Balance, December 31, 2010	\$ 123,194

See Accompanying Notes to the Financial Statements.

**VILLAGE OF BOWERSTON
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
All Proprietary Funds
For the Year Ended December 31, 2009**

	Proprietary Fund Types
	Enterprise
Receipts:	
Charges for Services	\$ 129,731
Total Receipts	129,731
Disbursements:	
Personal Services	64,710
Employee Fringe Benefits	3,497
Contractual Services	24,116
Materials and Supplies	14,641
Total Disbursements	106,964
Excess of Receipts Over (Under) Disbursements	22,767
Nonoperating Receipts (Disbursements):	
Debt Service:	
Principal	(24,814)
Interest	(20,996)
Total Nonoperating Receipts (Disbursements)	(45,810)
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	(23,043)
Transfers In	25,197
Net Receipts Over (Under) Disbursements	2,154
Fund Balance, January 1, 2009	108,173
Fund Balance, December 31, 2009	\$ 110,327

See Accompanying Notes to the Financial Statements.

**VILLAGE OF BOWERSTON
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Bowerston, (the Village) is a body corporate and politic established for the purpose of exercising 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 government, water and sewer utilities, street repair and maintenance, and park operations. The Village contracts with the Bowerston Volunteer Fire Department to provide fire protection services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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

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

Certificates of deposit are valued at cost.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**VILLAGE OF BOWERSTON
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING - (Continued)

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. Significant special revenue funds follow:

- Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Debt Service Fund: These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

- General Obligation Debt Service Fund - This fund is used to accumulate funds and make payments on outstanding debt of the Village.

Capital Project Fund: These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

- Capital Improvement Fund - This fund receives 10% of the municipal income tax and intergovernmental revenue to construct and/or repair the 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 has the following significant Enterprise Funds:

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

**VILLAGE OF BOWERSTON
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the County Budget Commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the County Budget Commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue. The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2010 and 2009.

Budget receipts, as shown in footnote number 5, do not include the unencumbered fund balances as of January 1, 2010 and 2009. However, those fund balances are available for appropriation.

2. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available.

**VILLAGE OF BOWERSTON
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end are carried forward to the subsequent year and need not be reappropriated.

A summary of budgetary activity appears in Note 5.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

In certain circumstances, such as upon termination of 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 CASH EQUIVALENTS

The Village maintains a cash and investment 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:

	2010	2009
Demand deposits	\$ 304,309	\$ 343,256

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF BOWERSTON
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2009.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Village. Taxes collected from tangible personal property (other than public utility) received during calendar year 2010 represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied April 1, 2009 on the values listed as of December 31, 2009. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property tax on behalf of all taxing Villages within the county. The County Auditor periodically remits to the taxing Village their portions of the taxes collected.

**VILLAGE OF BOWERSTON
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

4. LOCAL INCOME TAX

The Village levies a municipal income tax of one 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.

Total income taxes collected in 2010 and in 2009 were \$64,362 and \$89,929, respectively.

5. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2010 follows:

<u>2010 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 140,544	\$ 92,593	\$ (47,951)
Special Revenue Funds	23,370	23,161	(209)
Debt Service Funds	5,000	-	(5,000)
Capital Project Funds	12,000	6,385	(5,615)
Enterprise Funds	130,120	132,678	2,558

<u>2010 Budgeted vs Actual Budgetary Basis Disbursements</u>			
<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General Fund	\$ 138,300	\$ 132,195	\$ 6,105
Special Revenue Funds	23,370	27,522	(4,152)
Debt Service Funds	5,000	2,500	2,500
Capital Project Funds	20,000	11,736	8,264
Enterprise Funds	151,370	119,811	31,559

**VILLAGE OF BOWERSTON
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

5. BUDGETARY ACTIVITY – (Continued)

Budgetary activity for the year ended December 31, 2009 follows:

Fund	<u>2009 Budgeted vs Actual Receipts</u>		Variance
	Budgeted Receipts	Actual Receipts	
General Fund	\$ 145,724	\$ 121,430	\$ (24,294)
Special Revenue Funds	26,987	24,008	(2,979)
Debt Service Funds	5,000	-	(5,000)
Capital Project Funds	38,498	27,999	(10,499)
Enterprise Funds	142,175	154,928	12,753

Fund	<u>2009 Budgeted vs Actual Budgetary Basis Disbursements</u>		Variance
	Appropriation Authority	Budgetary Disbursements	
General Fund	\$ 145,725	\$ 130,049	\$ 15,676
Special Revenue Funds	26,350	22,963	3,387
Debt Service Funds	5,000	5,000	-
Capital Project Funds	37,291	62,847	(25,556)
Enterprise Funds	166,410	152,774	13,636

6. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2010 and 2009, OPERS participants contributed 10% of their wages. The Village contributed an amount equal to 14.00% of their wages. The Village has paid all contributions required through December 31, 2010.

Two of the Village officials chose not to belong to OPERS in 2009 and three in 2010, and instead contributed to Social Security. For 2010 and 2009, these officials contributed 6.2 percent of their wages. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**VILLAGE OF BOWERSTON
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

7. DEBT

Debt outstanding at December 31, 2010 was as follows:

Description	Principal	Interest Rate
OPWC Loan-Penn Ave/State St Widening	\$ 12,500	0.00%
OPWC Loan-Water Treatment Plant Upgrade	15,242	0.00%
FHA Mortgage Revenue Bonds	295,000	5.00%
OWDA Water Upgrade	92,905	4.32%
	\$ 415,647	

The Ohio Public Works Commission (OPWC) loan relates to a Penn Avenue/State Street widening and resurfacing capital project within the Village. The original loan was for \$50,000 dated August 29, 2001 at 0% interest for 10 years. The loan will be repaid in semiannual payments of \$2,500. The Village's taxing authority collateralizes the OPWC loan.

The Ohio Public Works Commission (OPWC) loan relates to a Water Treatment Plant upgrade. The original loan was for \$21,774 dated July 6, 2007 at 0% interest for 10 years. The loan will be repaid in semiannual payments of \$1,089 starting July 1, 2008. The Village's taxing authority collateralizes the OPWC loan.

The FHA Sanitary Sewer System Mortgage Revenue Bonds were issued for the construction of a new sanitary sewer system. The original amount was \$600,000 dated March 1, 1981. These bonds are redeemed at a rate of approximately \$35,500, including interest, paid annually over 40 years. The bonds are collateralized by sewer receipts.

The Ohio Water Development Authority (OWDA) loan relates to a Water Treatment Plant upgrade including filter, valve and piping replacement. The original loan was for \$103,526 dated October 26, 2006 at 4.32% interest for 20 years. The loan will be repaid in semiannual payments of \$3,906.50 starting January 1, 2008. The Village raised rates to cover the payment of the debt.

**VILLAGE OF BOWERSTON
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

7. DEBT – (Continued)

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

Year Ended	OPWC Street Widening	OPWC Water Treatment	Mortgage Revenue Bonds	OWDA Water Upgrade
2011	\$ 5,000	\$ 2,177	\$ 35,750	\$ 7,932
2012	5,000	2,177	35,750	7,932
2013	2,500	2,177	35,600	7,932
2014	-	2,177	35,500	7,932
2015	-	2,177	35,500	7,932
2016-2020	-	4,357	176,700	39,660
2021-2025	-	-	35,400	39,660
2026-2030	-	-	-	15,864
Total	<u>\$ 12,500</u>	<u>\$ 15,242</u>	<u>\$ 390,200</u>	<u>\$ 134,844</u>

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the Village did not reduce the limits of liability significantly in the current period.

9. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits.

10. LEGAL COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41 (b), the Village had total expenditures exceeding appropriations in Special Revenue funds Street Construction and Maintenance, State Highway and Parks and Recreation in 2010 and Capital Projects funds Other Capital Projects and FEMA Funds in 2009.

11. TRANSFERS

In 2009, the Village transferred money from the General Fund to various funds to subsidize operations. Also, they transferred money from the FEMA fund to various funds as reimbursements of expenses. These transfers complied with all applicable laws and grant agreements.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Village of Bowerston
Harrison County
P O Box 262
205 Water Alley
Bowerston, Ohio 44695

To the Village Council:

We have audited the financial statements of the Village of Bowerston, Harrison County Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 15, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

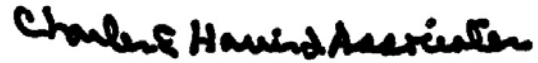
Compliance and Other Matters

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, grants agreements and other matters, 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2010-001.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We noted certain matters that we have reported to management of the Village in a separate letter dated April 15, 2011.

This report is intended for the information and use of the audit committee, management and 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 "Charles E. Harris". The signature is written in a cursive, slightly slanted style.

Charles E. Harris and Associates, Inc.

April 15, 2011

**VILLAGE OF BOWERSTON
HARRISON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

Finding # 2010-001

Noncompliance citation

Ohio Revised Code Section 5705.41 (B) provides, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated. Total expenditures plus encumbrances exceeded total appropriations in the following funds:

<u>Year</u>	<u>Fund</u>	<u>Expenditures plus Encumbrances</u>	<u>Total Appropriations</u>	<u>Variance</u>
2009	Other Capital Projects - FEMA	\$ 22,881	\$ 16,291	\$ (6,590)
2009	Other Capital Projects	39,966	21,000	(18,966)
2010	Street Constuction & Maintenance	18,403	16,560	(1,843)
2010	State Highway	3,000	1,250	(1,750)
2010	Parks and Recreation	4,319	3,760	(559)

We recommend that management monitor the budgetary process more closely in the future to avoid having expenditures that exceed the appropriations.

Management Response:

We will continue to improve the monitoring of the budgetary process in the future.

**VILLAGE OF BOWERSTON
HARRISON COUNTY, OHIO
For the Years Ending December 31, 2010 and 2009**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	Significant posting errors.	Yes	Corrected
2008-002	Ohio Revised Code Section 5705.39, total appropriations from each fund exceeding the total estimated resources.	Yes	Corrected



Dave Yost • Auditor of State

VILLAGE OF BOWERSTOWN

HARRISON 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
MAY 17, 2011**