



# Balestra, Harr & Scherer, CPAs, Inc.

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

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VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2009 and 2008  
Fiscal Years Audited Under GAGAS: 2009 and 2008





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of South Bloomfield, Pickaway County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Dave Yost  
Auditor of State

May 3, 2012

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**Village of South Bloomfield**  
**Pickaway County, Ohio**  
*Table of Contents*

*For the Fiscal Years Ended December 31, 2009 and 2008*

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<b>Title</b>	<b>Page</b>
Independent Auditor's 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, 2009 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2009 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2008 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2008 .....	6
Notes to the Financial Statements .....	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	16
Schedule of Findings .....	18
Schedule of Prior Audit Findings .....	25

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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of Village of South Bloomfield, Pickaway County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

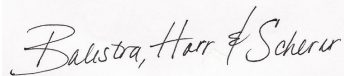
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, or its changes in financial position or cash flows, where applicable 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 and reserves for encumbrances of Village of South Bloomfield, Pickaway County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 March 30, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

March 30, 2012



**VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 62,106	\$ -	\$ 62,106
Municipal Income Tax	251,650	-	251,650
Intergovernmental	38,529	105,952	144,481
Special Assessments	437	439	876
Charges for Services	146,361	-	146,361
Fines, Licenses, and Permits	99,900	-	99,900
Earnings on Investments	9,030	247	9,277
Miscellaneous	26,588	1,647	28,235
	<u>634,601</u>	<u>108,285</u>	<u>742,886</u>
Total Cash Receipts			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	295,441	28,828	324,269
Public Health Service	5,509	-	5,509
Leisure Time Activities	12,692	-	12,692
Community Environment	4,963	-	4,963
Basic Utility Services	96,290	-	96,290
Transportation	125,732	23,230	148,962
General Government	182,123	-	182,123
Debt Service:			
Redemption of Principal	13,273	-	13,273
Interest and Fiscal Charges	1,181	-	1,181
	<u>737,204</u>	<u>52,058</u>	<u>789,262</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	(102,603)	56,227	(46,376)
<b>Other Financing Receipts and (Disbursements):</b>			
Advances-In	10,000	10,000	20,000
Advances-Out	(10,400)	(10,000)	(20,400)
	<u>(400)</u>	<u>-</u>	<u>(400)</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(103,003)	56,227	(46,776)
Fund Cash Balances, January 1	<u>97,880</u>	<u>109,722</u>	<u>207,602</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ (5,123)</u></u>	<u><u>\$ 165,949</u></u>	<u><u>\$ 160,826</u></u>

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

**VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 602,253	\$ -	\$ 602,253
Total Operating Cash Receipts	602,253	-	602,253
<b>Operating cash disbursements</b>			
Personal services	84,050	-	84,050
Fringe benefits	36,554	-	36,554
Contractual services	114,106	-	114,106
Supplies and Materials	92,930	-	92,930
Other	4,904	-	4,904
Total Operating Cash Disbursements	332,544	-	332,544
Operating Income/(Loss)	269,709	-	269,709
<b>Non-Operating Cash Receipts/Disbursements</b>			
Earnings on Investments	1,696	-	1,696
Tap Fees	276,220	-	276,220
Capital Outlay	(53,984)	-	(53,984)
Principal	(248,230)	-	(248,230)
Interest	(241,420)	-	(241,420)
Other Non-operating Receipts	-	94,661	94,661
Other Non-operating Disbursements	-	(93,177)	(93,177)
Total Non-Operating Cash Receipts (Disbursement)	(265,718)	1,484	(264,234)
Income/(Loss) Before Interfund Transfers and Advances	3,991	1,484	5,475
<b>Transfers and Advances</b>			
Advances-In	1,400	-	1,400
Advances-Out	(1,000)	-	(1,000)
Total Transfers and Advances	400	-	400
Net Receipts Over/(Under) Disbursements	4,391	1,484	5,875
Fund Cash Balances, January 1	974,411	38,712	1,013,123
<b>Fund Cash Balances, December 31</b>	<u>\$ 978,802</u>	<u>\$ 40,196</u>	<u>\$ 1,018,998</u>

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

**VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Governmental Fund Types</b>		<b>Totals</b>
	<b>General</b>	<b>Special Revenue</b>	<b>(Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 78,456	\$ -	\$ 78,456
Municipal Income Tax	231,343	-	231,343
Intergovernmental	40,782	85,704	126,486
Charges for Services	144,539	-	144,539
Fines, Licenses, and Permits	116,761	-	116,761
Earnings on Investments	21,406	695	22,101
Miscellaneous	10,534	-	10,534
 Total Cash Receipts	 643,821	 86,399	 730,220
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	273,380	11,087	284,467
Public Health Service	5,949	-	5,949
Leisure Time Activities	15,707	-	15,707
Community Environment	10,465	-	10,465
Basic Utility Services	128,728	-	128,728
Transportation	94,630	64,320	158,950
General Government	153,193	-	153,193
Debt Service:			
Redemption of Principal	12,548	-	12,548
Interest and Fiscal Charges	1,865	-	1,865
 Total Cash Disbursements	 696,465	 75,407	 771,872
Total Cash Receipts Over/(Under) Cash Disbursements	(52,644)	10,992	(41,652)
<b>Other Financing Receipts and (Disbursements):</b>			
Advances-In		25,000	25,000
Advances-Out	(35,000)	-	(35,000)
 Total Other Financing Receipts/(Disbursements)	 (35,000)	 25,000	 (10,000)
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 (87,644)	 35,992	 (51,652)
 Fund Cash Balances, January 1, as restated, see Note 11	 185,524	 73,730	 259,254
<b>Fund Cash Balances, December 31</b>	<b>\$ 97,880</b>	<b>\$ 109,722</b>	<b>\$ 207,602</b>
Reserve for Encumbrances, December 31	\$ 6,359	\$ -	\$ 6,359

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

**VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Proprietary Fund Type</b>	<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Agency</b>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 581,637	\$ -	\$ 581,637
Fines, Licenses & Permits	80	-	80
Total Operating Cash Receipts	581,717	-	581,717
<b>Operating Cash disbursements</b>			
Personal services	78,970	-	78,970
Fringe benefits	33,030	-	33,030
Contractual services	144,832	-	144,832
Supplies and Materials	65,750	-	65,750
Other	3,857	-	3,857
Total Operating Cash Disbursements	326,439	-	326,439
Operating Income/(Loss)	255,278	-	255,278
<b>Non-Operating Cash Receipts/Disbursements</b>			
Earnings on Investments	8,871	-	8,871
Tap Fees	23,070	-	23,070
Miscellaneous Receipts	1,151	-	1,151
Intergovernmental	97,597	-	97,597
Capital Outlay	(101,473)	-	(101,473)
Principal	(404,344)	-	(404,344)
Interest	(251,457)	-	(251,457)
Other Non-operating Receipts	-	104,359	104,359
Other Non-operating Disbursements	-	(98,404)	(98,404)
Total Non-Operating Cash Receipts (Disbursement)	(626,585)	5,955	(620,630)
Income/(Loss) Before Interfund Transfers and Advances	(371,307)	5,955	(365,352)
<b>Transfers and Advances</b>			
Advances-In	10,000	-	10,000
Total Transfers and Advances	10,000	-	10,000
Net Receipts Over/(Under) Disbursements	(361,307)	5,955	(355,352)
Fund Cash Balances, January 1	1,335,718	32,757	1,368,475
<b>Fund Cash Balances, December 31</b>	<b>\$ 974,411</b>	<b>\$ 38,712</b>	<b>\$ 1,013,123</b>

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

**VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

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

**D. Fund Accounting**

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

**1. General Fund:**

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

**VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds:**

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

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

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

**3. Enterprise Funds:**

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

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

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

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

**4. Fiduciary Fund (Agency Fund)**

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

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

**VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2009 and 2008 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.

**VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**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>2009</u>	<u>2008</u>
Demand deposits	\$35,741	\$120,966
Certificate of deposit	<u>740,745</u>	<u>697,532</u>
Total deposits	<u>776,486</u>	<u>818,498</u>
STAR Ohio	403,338	402,227
Total investments	<u>403,338</u>	<u>402,227</u>
Total deposits and investments:	<u>\$1,179,824</u>	<u>\$1,220,725</u>

**Deposits:**

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

**Investments:**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2009 and December 31, 2008, was as follows:

**2009 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$625,940	\$644,601	\$18,661
Special Revenue	84,278	118,285	34,007
Enterprise	<u>804,820</u>	<u>881,569</u>	<u>76,749</u>
Total	<u>\$1,515,038</u>	<u>\$1,644,455</u>	<u>\$129,417</u>



**VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**3. BUDGETARY ACTIVITY (Continued)**

**2009 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$706,624	\$747,604	(\$40,980)
Special Revenue	181,347	62,058	119,289
Enterprise	<u>1,934,521</u>	<u>877,178</u>	<u>1,057,343</u>
Total	<u>\$2,822,492</u>	<u>\$1,686,840</u>	<u>\$1,135,652</u>

**2008 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$591,777	\$643,821	\$52,044
Special Revenue	84,892	111,399	26,507
Enterprise	<u>866,728</u>	<u>722,406</u>	<u>(144,322)</u>
Total	<u>\$1,543,397</u>	<u>\$1,477,626</u>	<u>(\$65,771)</u>

**2008 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$782,580	\$731,465	\$51,115
Special Revenue	115,660	75,407	40,253
Enterprise	<u>1,929,720</u>	<u>1,083,713</u>	<u>846,007</u>
Total	<u>\$2,827,960</u>	<u>\$1,890,585</u>	<u>\$937,375</u>

Contrary to ORC Section 5705.41(B), actual disbursements were in excess of appropriations plus prior year encumbrances in the General Fund for 2009 by \$40,980.

Contrary to ORC Section 5705.39, appropriations were in excess of estimated resources in the State Highway Fund by \$16,319 in 2009; and the General Fund and Sewer Operating Fund by \$5,279 and \$11,790, respectively in 2008.

Contrary to ORC Section 5705.36(A)(4), appropriations were in excess of actual resources in the State Highway Fund by \$28,930 in 2009.

**VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**4. PROPERTY TAX**

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

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

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

**5. LOCAL INCOME TAX**

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

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

**6. DEBT**

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 0250	\$990,062	2%
Ohio Water Development Authority Loan 1000NR	559,253	7.21%
Ohio Water Development Authority Loan 1001NR	176,691	7.14%
Ohio Water Development Authority Loan 1001NRS2	75,069	7.38%
Ohio Water Development Authority Loan 4303	4,942,481	1.5 -3.99%
Ohio Public Works Commission Loan CQ017	113,769	0%
Ohio Water Development Authority Loan 1001NRS	191,085	6.51%
Bank Loan 4121396	<u>10,629</u>	2.3%
Total	<u>\$7,059,039</u>	

**VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**6. DEBT (Continued)**

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

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

	OWDA Loan 0250	OWDA Loan 1000NR	OWDA Loan 1001NR	OWDA Loan 1001NRS
Year Ending December 31:				
2010	\$42,211	\$45,172	\$13,641	\$14,360
2011	84,422	90,344	27,282	28,720
2012	84,422	90,344	27,282	28,720
2013	84,422	90,344	27,282	28,720
2014	84,422	90,344	27,282	28,720
2015-2019	422,111	361,376	122,779	129,240
2020-2024	<u>337,689</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$1,139,699</u>	<u>\$767,924</u>	<u>\$245,548</u>	<u>\$258,480</u>

	OWDA Loan 1001NRS2	OPWC CQ017	Bank Loan 5006024
Year Ending December 31:			
2010	\$5,854	\$12,641	\$7,478
2011	11,709	12,641	3,739
2012	11,709	12,641	0
2013	11,709	12,641	0
2014	11,709	12,641	0
2015-2019	52,688	50,564	0
2020-2024	0	0	0
2025-2029	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$105,378</u>	<u>\$113,769</u>	<u>\$11,217</u>

**VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**7. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 10.0% of gross wages. The Village contributed an amount equal to 14% of participants' gross wages. The Village has paid all contributions required through December 31, 2009.

**8. RISK MANAGEMENT**

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

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

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

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

**9. CONTINGENT LIABILITIES**

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

**10. COMPLIANCE**

- The Village did not properly encumber all commitments as required by ORC Section 5705.41(D).
- The Village did not maintain an accounting system sufficient to properly record and report the financial transactions of the Village as required by Ohio Administrative Code Section 117-2-02A.
- The Village had expenditures in excess of appropriations contrary to ORC Section 5705.41(B).
- The Village had appropriations in excess of estimated resources contrary to ORC Section 5705.36(A)(4).
- The Village had appropriations in excess of actual resources contrary to ORC Section 5705.39.
- Contrary to ORC Section 5705.14(E), the Village did not approve all transfers from the General Fund in the meeting minutes.
- The Village did not budget at the required legal level of control, contrary to ORC Section 5705.38.
- The Village had a negative fund balance in the General Fund in 2009 contrary to ORC Section 5705.10.

**VILLAGE OF SOUTH BLOOMFIELD  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**11. PRIOR PERIOD RESTATEMENT**

The Village's cash balances were overstated at December 31, 2007. An adjustment to properly reflect the Village's cash balances was necessary. The adjustment had the following effect on the financial statements:

	General Fund Cash Balance	Total Governmental Funds Cash Balance
December 31, 2007	\$217,026	\$290,756
Cash balance adjustment	<u>(31,502)</u>	<u>(31,502)</u>
Restated balance, December 31, 2007	<u>\$185,524</u>	<u>\$259,254</u>

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# Balestra, Harr & Scherer, CPAs, Inc.

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

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

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

We have audited the financial statements of Village of South Bloomfield, Pickaway County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated March 30, 2012, 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 the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-004 as described in the accompanying schedule of findings to be a material weakness.

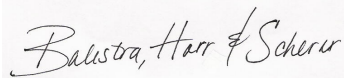
### Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2009-001 through 2009-008.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 30, 2012.

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
March 30, 2012



**Village of South Bloomfield  
Pickaway County  
Schedule of Findings  
December 31, 2009 and 2008**

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

**FINDING NUMBER**

**2009-001**

**MATERIAL NONCOMPLIANCE**

Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Upon comparison of appropriations to available resources (defined as unencumbered beginning balance plus actual receipts), the auditor noted 2009 appropriations were in excess of available resources in the State Highway Fund by \$28,930.

The Village should implement monitoring procedures to ensure compliance with 5705.36(A)(4). Establishment of procedures for monitoring the compliance with this requirement helps to ensure that monies are not expended in excess of allowable limits.

**Client Response:** The Village will implement procedures to monitor actual resources and secure reduced amended certificates and corresponding reductions in appropriations when required.

**FINDING NUMBER**

**2009-002**

**MATERIAL NONCOMPLIANCE**

Ohio Revised Code Section 5705.38 requires the annual appropriation measure to be adopted at the legal level of control. ORC Section 5705.38(C) defines the minimum level of control for Villages as "each office, department, and division, and within each, the amount appropriated for personal services".

Upon review, the appropriations of the Village for 2009 and 2008 were not adopted at the legal level of control.

The Village should adopt the appropriations at the legal level of control.

**Client Response:** The Village will implement procedures to ensure that appropriations are at the legal level of control.

**Village of South Bloomfield  
Pickaway County  
Schedule of Findings (Continued)  
December 31, 2009 and 2008**

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

<b>FINDING NUMBER</b>	<b>2009-003</b>
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**MATERIAL NONCOMPLIANCE**

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

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

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

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

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

**Village of South Bloomfield  
Pickaway County  
Schedule of Findings (Continued)  
December 31, 2009 and 2008**

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

<b>FINDING NUMBER</b>	<b>2009-004</b>
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**MATERIAL NONCOMPLIANCE/MATERIAL WEAKNESS**

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

The Village audit was initially suspended and declared un-auditable. We found the following significant issues during the course of our work which must be corrected in order for the Village to be able to maintain proper controls over the cash accounting, reporting and reconciliation process:

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

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

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

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

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

**Village of South Bloomfield  
Pickaway County  
Schedule of Findings (Continued)  
December 31, 2009 and 2008**

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

<b>FINDING NUMBER</b>	<b>2009-004 (continued)</b>
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The Village was accepting credit card payments for receipts; however, such credit card payments were not separately posted into the Village's accounting records. The credit card payments were combined with the cash receipt's payments and posted as one entry into the Village's accounting system. The problem with combining such receipts was that credit card payments were not posted the same day as the other receipts and trying to reconcile credit card payments in transit was very difficult.

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

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

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

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

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

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

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

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

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

**Village of South Bloomfield  
Pickaway County  
Schedule of Findings (Continued)  
December 31, 2009 and 2008**

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

<b>FINDING NUMBER</b>	<b>2009-004 (continued)</b>
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The Village needs to establish written policies and procedures over the cash collection, recording and reconciliation process. This should help the Village Clerk maintain the records of the Village properly and ensure that the Village's accounting systems properly reflects the Village's existing cash situation.

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

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

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

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

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

**Village of South Bloomfield  
Pickaway County  
Schedule of Findings (Continued)  
December 31, 2009 and 2008**

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

<b>FINDING NUMBER</b>	<b>2009-005</b>
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**MATERIAL NONCOMPLIANCE**

Ohio Revised Code Section 5705.14(E) states, in part that money may be transferred from the General Fund to any other fund to any other fund of the subdivision, and further that any transfer of this nature requires a governing board resolution passed by a simple majority of the board members. A transfer was made from the General Fund to the Street Construction, Maintenance and Repair Fund during 2008 in the amount of \$1,000. A review of the minutes did not indicate any reason for this transfer and did not disclose approval by the Village Council. There was no indication of a resolution authorizing the transfer. An adjustment was made to the financial statements to remove the unauthorized transfer.

The Village should include the approval of all transfers in the minutes of Council. There should be a resolution authorizing said transfers with clear indication of the funds into which the monies are to be transferred. No transfer should be made by the Fiscal Officer without approval of the Council.

**Client Response:** The Village will implement procedures to ensure that transfers are authorized by a resolution approved by Council and that the approval is recorded in the minute record.

<b>FINDING NUMBER</b>	<b>2009-006</b>
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**MATERIAL NONCOMPLIANCE**

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

Upon comparison of appropriations to estimated resources (defined as unencumbered beginning balance plus estimated receipts), the auditor noted 2009 appropriations were in excess of estimated resources in the State Highway Fund by \$16,319. For 2008 appropriations were in excess of the available resources in the General Fund by \$5,279, the Sewer Operations Fund by \$11,790.

The Village should implement monitoring procedures to ensure compliance with 5705.39. Establishment of procedures for monitoring the compliance with this requirement helps to ensure that monies are not expended in excess of allowable limits.

**Client Response:** The Village will implement procedures to monitor actual resources and secure reduced amended certificates and corresponding reductions in appropriations when required.

**Village of South Bloomfield  
Pickaway County  
Schedule of Findings (Continued)  
December 31, 2009 and 2008**

<b>FINDING NUMBER</b>	<b>2009-007</b>
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**MATERIAL NONCOMPLIANCE**

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

Upon comparison of actual disbursements to appropriations, the 2009 disbursements were in excess of appropriations in the General Fund by \$40,980.

The Village should implement monitoring procedures to ensure compliance with 5705.41(B). Establishment of procedures for monitoring the compliance with this requirement helps to ensure that monies are not expended in excess of allowable limits.

**Client Response:** The Village will implement procedures to monitor actual disbursements and corresponding increases in appropriations when required.

<b>FINDING NUMBER</b>	<b>2009-008</b>
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**MATERIAL NONCOMPLIANCE**

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

The General Fund had a fund balance deficit at December 31, 2009 of \$5,123.

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

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

**Village of South Bloomfield  
Pickaway County  
Schedule of Prior Audit Findings  
December 31, 2009 and 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-01	ORC 5705.39 Appropriations in excess of estimated resources	No	Reissued as 2009-006
2007-02	ORC 5705.36(A)(4) Appropriations in excess of available resources	No	Reissued as 2009-001
2007-03	ORC 5705.38 Appropriations at the legal level of control	No	Reissued as 2009-002
2007-04	ORC 5705.41(D) Proper use of Purchase orders	No	Reissued as 2009-003
2007-05	OAC 117-2-02A Sufficient accounting system	No	Reissued as 2009-004
2007-06	ORC 5705.14(E) Approval of transfers	No	Reissued as 2009-005





# Dave Yost • Auditor of State

VILLAGE OF SOUTH BLOOMFIELD

PICKAWAY COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 15, 2012