

VILLAGE OF BREMEN

FAIRFIELD COUNTY

REGULAR AUDIT

JANUARY 1, 2001 - DECEMBER 31, 2002

FISCAL YEARS AUDITED UNDER GAGAS: 2002 & 2001

BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

A division of Harr & Scherer, CPAs, Inc.

528 S. WEST STREET P.O. BOX 687

PIKETON, OHIO 45661

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**Auditor of State
Betty Montgomery**

Village Council
Village of Bremen
Bremen, Ohio

We have reviewed the Independent Auditor's Report of the Village of Bremen, Fairfield County, prepared by Balestra & Company, for the audit period January 1, 2001 through December 31, 2002. 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.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 13, 2003

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VILLAGE OF BREMEN
FAIRFIELD COUNTY
JANUARY 1, 2001 THOUGH DECEMBER 31, 2002

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Independent Auditor's Report

Village Council
Village of Bremen
Fairfield County
P.O. Box 127
9090 Marietta Road
Bremen, Ohio 43107

We have audited the accompanying financial statements of the Village of Bremen, Fairfield County, (the Village) as of and for the years ended December 31, 2002, and December 31, 2001. These financial statements are the responsibility of the Village of Bremen's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Bremen, Fairfield County, as of December 31, 2002 and December 31, 2001, and its combined cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 28, 2003, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with report in considering the results of our audit.

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

Balestra & Company
Balestra & Company

May 28, 2003

VILLAGE OF BREMEN
FAIRFIELD COUNTY

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property and Local Taxes	52,447	-	-	-	52,447
Income Taxes	213,934	-	-	-	213,934
Intergovernmental	29,139	48,587	-	-	77,726
Charges for Services	-	-	-	-	-
Fines, Licenses, and Permits	6,200	-	-	-	6,200
Interest	5,148	-	-	-	5,148
Miscellaneous	7,597	149	-	-	7,746
Total Revenues	314,465	48,736	-	-	363,201
Disbursements:					
Security of Persons and Property	91,047	381	-	-	91,428
Public Health Service	-	-	-	-	-
Leisure Time Activities	22,919	-	-	-	22,919
Transportation	43,652	129,883	-	-	173,535
General Government	60,883	-	-	-	60,883
Capital Outlay	14,979	7,000	-	7,961	29,940
Debt Service:					
Principal Payments	-	8,315	42,718	-	51,033
Interest and Fiscal Charges	-	1,024	45,994	-	47,018
Total Disbursements	233,480	146,603	88,712	7,961	476,756
Excess of Cash Receipts Over/ (Under) Cash Disbursements	80,985	(97,867)	(88,712)	(7,961)	(113,555)
Other Financing Sources/(Uses)					
Operating Transfers In	-	95,364	88,712	-	184,076
Operating Transfers Out	(110,364)	-	-	-	(110,364)
Total Other Financing Sources/(Uses)	(110,364)	95,364	88,712	-	73,712
Total of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Uses	(29,379)	(2,503)	-	(7,961)	(39,843)
Fund Cash Balances, January 1, 2002	191,974	26,036	-	7,961	225,971
Fund Cash Balances, December 31, 2002	162,595	23,533	-	-	186,128
Reserved for Encumbrances, December 31, 2002	-	189	-	-	189

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

VILLAGE OF BREMEN
FAIRFIELD COUNTY

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

	Enterprise
Revenues:	
Charges for Services	408,010
Miscellaneous	779
	408,789
Total Revenues	408,789
Disbursements:	
Personal Service	120,450
Employee Fringe Benefits	25,408
Contractual Services	138,007
Supplies and Materials	83,440
Capital Outlay	-
Miscellaneous	6,493
	373,798
Total Disbursements	373,798
Excess of Cash Receipts Over/ (Under) Cash Disbursements	34,991
Other Financing Sources/(Uses)	
Operating Transfers In	15,000
Operating Transfers Out	(88,712)
Loan Proceeds	28,497
Total Other Financing Sources/(Uses)	(45,215)
Total of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Uses	(10,224)
Fund Cash Balances, January 1, 2002	100,195
Fund Cash Balances, December 31, 2002	89,971
Reserved for Encumbrances, December 31, 2002	315

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

VILLAGE OF BREMEN
FAIRFIELD COUNTY

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property and Local Taxes	41,635	-	-	-	41,635
Income Taxes	196,349	-	-	-	196,349
Intergovernmental	42,390	48,971	-	-	91,361
Charges for Services	-	-	-	-	-
Fines, Licenses, and Permits	5,947	-	-	-	5,947
Interest	9,547	-	-	-	9,547
Miscellaneous	9,268	5,696	-	-	14,964
Total Revenues	305,136	54,667	-	-	359,803
Disbursements:					
Security of Persons and Property	61,810	350	-	-	62,160
Public Health Service	4,181	-	-	-	4,181
Leisure Time Activities	2,674	-	-	-	2,674
Transportation	14,967	153,559	-	-	168,526
General Government	76,502	-	-	-	76,502
Capital Outlay	-	6,284	-	-	6,284
Debt Service:					
Principal Payments	-	7,815	48,931	-	56,746
Interest and Fiscal Charges	-	1,524	51,409	-	52,933
Total Disbursements	160,134	169,532	100,340	-	430,006
Excess of Cash Receipts Over/ (Under) Cash Disbursements	145,002	(114,865)	(100,340)	-	(70,203)
Other Financing Sources/(Uses)					
Operating Transfers In	-	92,839	100,340	-	193,179
Operating Transfers Out	(107,839)	-	-	-	(107,839)
Total Other Financing Sources/(Uses)	(107,839)	92,839	100,340	-	85,340
Total of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Uses	37,163	(22,026)	-	-	15,137
Fund Cash Balances, January 1, 2001	154,811	48,062	-	7,961	210,834
Fund Cash Balances, December 31, 2001	191,974	26,036	-	7,961	225,971
Reserved for Encumbrances, December 31, 2001	-	189	-	-	189

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

VILLAGE OF BREMEN
FAIRFIELD COUNTY

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

	<u>Enterprise</u>
Revenues:	
Charges for Services	390,251
Miscellaneous	<u>2,046</u>
Total Revenues	392,297
Disbursements:	
Personal Service	95,912
Employee Fringe Benefits	24,138
Contractual Services	122,037
Supplies and Materials	64,991
Capital Outlay	26,980
Miscellaneous	<u>660</u>
Total Disbursements	<u>334,718</u>
Excess of Cash Receipts Over/ (Under) Cash Disbursements	57,579
Other Financing Sources/(Uses)	
Operating Transfers In	15,000
Operating Transfers Out	(100,340)
Insurance Proceeds	<u>19,795</u>
Total Other Financing Sources/(Uses)	<u>(65,545)</u>
Total of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Uses	(7,966)
Fund Cash Balances, January 1, 2001	<u>108,161</u>
Fund Cash Balances, December 31, 2001	<u><u>100,195</u></u>
Reserved for Encumbrances, December 31, 2001	<u><u>314</u></u>

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

VILLAGE OF BREMEN
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Fund Accounting

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

General Fund:

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

Special Revenue Funds:

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

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

Debt Service Funds:

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

General Note Retirement Fund (Street) – This fund receives transfers-in from the Street Construction Maintenance and Repair fund for the repayment of debt associated for street improvements.

VILLAGE OF BREMEN
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

Debt Service Funds (Continued):

General Note Retirement Fund (Water) – This fund receives transfers-in from the Water Operating fund for the repayment of debt associated for the utility construction projects.

General Note Retirement Fund (Sewer) – This fund receives transfers-in from the Sewer Operating fund for the repayment of debt associated for the Wastewater Treatment Plant Project.

Capital Projects Funds:

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

Other Capital Projects Fund – This fund receives proceeds from the Ohio Public Works Commission to purchase equipment for a water plant improvement project.

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.

D. Budgetary Process

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

Appropriations

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

Estimated Resources

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

VILLAGE OF BREMEN
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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 2002 and 2001 budgetary activity appears in Note 4.

E. Property, Plant and Equipment

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

F. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH

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

	<u>2002</u>	<u>2001</u>
Demand deposits	\$276,099	\$326,166
<u>Certificate of Deposit</u>	<u>0</u>	<u>0</u>
Total Deposits	<u>\$276,099</u>	<u>\$326,166</u>

Deposits:

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

3. COMPLIANCE

The Village did not pass annual appropriations for the 2002 fiscal year contrary to Ohio Revised Code Section 5705.38.

The Village had expenditures that exceeded appropriations in several funds during the 2002 fiscal year contrary to Ohio Revised Code Section 5705.41(B).

The Village did not properly certify purchase orders or encumber funds prior to commitment contrary to Ohio Revised Code Section 5705.41(D).

VILLAGE OF BREMEN
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

4. BUDGETARY ACTIVITY

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

<u>Fund Type</u>	<u>2002 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$331,290	\$314,465	(\$16,825)
Special Revenue	160,232	144,100	(16,132)
Debt Service	91,250	88,712	(2,538)
Capital Projects	0	0	0
Enterprise	<u>450,188</u>	<u>452,287</u>	<u>2,099</u>
Total	<u>\$1,032,960</u>	<u>\$999,564</u>	<u>(\$33,396)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>2002 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$0	\$343,844	(\$343,844)
Special Revenue	0	146,792	(146,792)
Debt Service	0	88,712	(88,712)
Capital Projects	0	7,961	(7,961)
Enterprise	<u>0</u>	<u>462,825</u>	<u>(462,825)</u>
Total	<u>\$0</u>	<u>\$1,050,134</u>	<u>(\$1,050,134)</u>

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>2001 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$312,503	305,136	(7,367)
Special Revenue	158,626	147,506	(11,120)
Debt Service	123,439	100,340	(23,099)
Capital Projects	0	0	0
Enterprise	<u>418,290</u>	<u>427,092</u>	<u>8,802</u>
Total	<u>\$1,012,858</u>	<u>\$980,074</u>	<u>(\$32,784)</u>

VILLAGE OF BREMEN
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

4. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$467,313	\$267,973	\$199,340
Special Revenue	206,875	169,721	37,154
Debt Service	123,439	100,340	23,099
Capital Projects	7,960	0	7,960
Enterprise	<u>526,763</u>	<u>435,372</u>	<u>91,391</u>
Total	<u>\$1,332,350</u>	<u>\$973,406</u>	<u>\$358,944</u>

The Village did not certify and timely encumber all commitments as required by law. The Village also did not pass appropriations for 2002, thus expending more money than was appropriations for that fiscal year.

5. PROPERTY TAX

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

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

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

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

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Loan 2000	133,886	0%
Ohio Water Development Authority 1987	<u>449,349</u>	9.78%
Total	<u>583,235</u>	

VILLAGE OF BREMEN
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

6. DEBT (Continued)

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

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

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

Year ending December 31:	OWDA Loan	OPWC Loan
2003	\$80,184	\$7,438
2004	80,184	7,438
2005	80,184	7,438
2006	80,184	7,438
2007	80,184	7,438
Subsequent	<u>280,644</u>	<u>96,696</u>
Total	<u>\$681,564</u>	<u>\$133,886</u>

7. CAPITAL LEASES

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2002:

Fiscal Year Ending December 31,	Payments
2003	\$23,278
2004	16,803
2005	13,939
2006	13,939
2007	<u>0</u>
Total	67,959
Less: Amount Representing Interest	<u>7,426</u>
Present Value of Net Minimum Lease Payments	<u>\$60,533</u>

VILLAGE OF BREMEN
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

8. RETIREMENT SYSTEMS

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

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

9. RISK MANAGEMENT

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

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

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

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

BALESTRA & COMPANY

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Report on compliance and on internal control over financial reporting based on an audit Of financial statements performed in accordance with *Government Auditing Standards*

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

We have audited the financial statements of the Village of Bremen, Fairfield County, (the Village) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated May 28, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that is required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001, 2002-002, and 2002-003. Also, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 28, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated May 28, 2003.

Village of Bremen
Fairfield County
Report on compliance and on internal control over financial reporting based on an audit
of financial statements performed in accordance with *Government Auditing Standards*
Page 2

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

Balestra & Company
Balestra & Company

May 28, 2003

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code Section 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed. The Village Council did not approve annual appropriations for fiscal year 2002.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village Council did not approve annual appropriations for fiscal year 2002.

FINDING NUMBER 2002-003

Noncompliance Citation

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 contracts 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.

Several exceptions to this basic requirement are provided by statute, including:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing authority.

Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

All of the expenditures tested did not contain a signed certification by the Clerk/Treasurer as required by law. The Village also failed to timely encumber all of the expenditures tested.

CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-001	The Village will pass annual appropriations as required by ORC Section 5705.28.	12/31/2003	Kelley Tripp, Clerk/Treasurer
2002-002	The Village will more closely monitor the appropriation and encumbrance processes to ensure compliance with ORC Section 5705.41(B)	12/31/03	Kelley Tripp, Clerk/Treasurer
2002-003	Management will certify purchase orders by signature and also more closely monitor the encumbrance process to ensure compliance with ORC Section 5705.41(D).	12/31/03	Kelley Tripp, Clerk/Treasurer

VILLAGE OF BREMEN
FAIRFIELD COUNTY

STATUS OF PRIOR FINDINGS
DECEMBER 31, 2002 AND 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected/Explanation
2000-30623-001	ORC Section 5705.41(D), Fiscal Officer's Certification of Funds	No	Village continued to not certify funds and is included in the current year schedule of findings.
2000-30623-002	Segregation of Duties – Disbursements	Yes	Procedures have been adjusted.



**Auditor of State
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VILLAGE OF BREMEN

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 26, 2003**