



**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2017-2016

VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY
DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Village of South Bloomfield, Pickaway County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Village of South Bloomfield, Pickaway County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

August 8, 2019

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Fund Types</u>			Totals
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Property and Local Taxes	\$ 73,115	\$ -	\$ -	\$ 73,115
Municipal Income Tax	455,839	-	-	455,839
Intergovernmental	10,973	116,839	-	127,812
Special Assessments	45,859	-	-	45,859
Charges for Services	150,304	-	-	150,304
Fines, Licenses, and Permits	170,270	20,403	-	190,673
Earnings on Investments	1,079	66	-	1,145
Miscellaneous	-	1,445	-	1,445
Total Cash Receipts	<u>907,439</u>	<u>138,753</u>	<u>-</u>	<u>1,046,192</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	627,667	-	-	627,667
Leisure Time Activities	-	18,543	-	18,543
Community Environment	14,259	-	-	14,259
Basic Utility Services	136,994	-	-	136,994
Transportation	-	87,953	-	87,953
General Government	143,697	-	-	143,697
Debt Service:				
Principal	33,047	-	-	33,047
Interest	2,309	-	-	2,309
Total Cash Disbursements	<u>957,973</u>	<u>106,496</u>	<u>-</u>	<u>1,064,469</u>
<i>Excess of Receipts Over (Under) Disbursements:</i>	(50,534)	32,257	-	(18,277)
Other Financing Receipts (Disbursements):				
Other Debt Proceeds	70,031	-	-	70,031
Other Financing Uses	(256)	-	-	(256)
Total Other Financing Receipts (Disbursements)	<u>69,775</u>	<u>-</u>	<u>-</u>	<u>69,775</u>
<i>Net Change in Fund Cash Balances</i>	19,241	32,257	-	51,498
Fund Cash Balances, January 1	<u>38,627</u>	<u>101,303</u>	<u>13,698</u>	<u>153,628</u>
Restricted	-	133,560	4,357	137,917
Committed	-	-	9,341	9,341
Assigned	122,290	-	-	122,290
Unassigned	<u>(64,422)</u>	<u>-</u>	<u>-</u>	<u>(64,422)</u>
Fund Cash Balances, December 31	<u>\$ 57,868</u>	<u>\$ 133,560</u>	<u>\$ 13,698</u>	<u>\$ 205,126</u>

The notes are an integral part of these financial statements.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u> <u>(Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 1,252,736	\$ -	\$ 1,252,736
Miscellaneous	51,003	-	51,003
Total Operating Cash Receipts	<u>1,303,739</u>	<u>-</u>	<u>1,303,739</u>
Operating Cash Disbursements			
Personal Services	268,701	-	268,701
Fringe Benefits	94,030	-	94,030
Contractual services	372,652	3,768	376,420
Supplies and Materials	118,290	-	118,290
Other	701	-	701
Total Operating Cash Disbursements	<u>854,374</u>	<u>3,768</u>	<u>858,142</u>
<i>Operating Income (Loss)</i>	449,365	(3,768)	445,597
Non-Operating Receipts (Disbursements)			
Special Assessments	49,329	-	49,329
Capital Outlay	(13,583)	-	(13,583)
Other Non-Operating Disbursements	-	(165,161)	(165,161)
Other Non-Operating Receipts	-	163,553	163,553
Debt Service:			
Principal	(380,899)	-	(380,899)
Interest	(122,716)	-	(122,716)
Total Non-Operating Receipts (Disbursements)	<u>(467,869)</u>	<u>(1,608)</u>	<u>(469,477)</u>
<i>Net Change in Fund Cash Balances</i>	(18,504)	(5,376)	(23,880)
Fund Cash Balances, January 1	<u>395,352</u>	<u>11,575</u>	<u>406,927</u>
Fund Cash Balances, December 31	<u>\$ 376,848</u>	<u>\$ 6,199</u>	<u>\$ 383,047</u>

The notes are an integral part of these financial statements.

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of South Bloomfield (the Village), Pickaway County, 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with Harrison Township to receive fire protection services.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

C. Deposit and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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 accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.
- 2. Special Revenue Funds** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Capital Projects Funds – These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital projects fund:

Sewer Plant Fund. The sewer plant fund accounts for and reports proceeds related to the sewer plant project. The proceeds are committed for underground storage tanks.

- 3. Enterprise Funds** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

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

- 4. Fiduciary Funds (Agency Fund)** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following 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.

E. Budgetary Process

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

- 1. Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 approve estimated resources.
3. **Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated.

A summary of 2017 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.
2. **Restricted** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.
3. **Committed** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.
4. **Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.
5. **Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

G. 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.

H. Accumulated Leave

In certain circumstances such as upon leaving employment, employees are entitled to cash payments for unused sick leave. The financial statement do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

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

	<u>2017</u>
Demand deposits	<u>\$588,173</u>
Total deposits:	<u>\$588,173</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.

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$919,331	\$977,470	(\$58,138)
Special Revenue	92,240	138,753	(46,513)
Enterprise	1,283,042	1,353,069	(70,026)
Agency	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$2,294,613</u>	<u>\$2,469,291</u>	<u>(\$174,678)</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$960,755	\$965,259	(\$4,504)
Special Revenue	127,089	107,169	19,920
Enterprise	1,431,488	1,378,115	53,373
Agency	<u>3,768</u>	<u>3,768</u>	<u>0</u>
Total	<u>\$2,519,332</u>	<u>\$2,450,540</u>	<u>\$68,789</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note 401108	\$32,184	3.10%
Note 401107	28,021	3.10%
Note 400956	3,357	2.75%
Note 401033	19,655	2.75%
Ohio Water Development Authority Loan 1894	10,906	7.38%
Ohio Water Development Authority Loan 1893	26,970	6.51%
Ohio Water Development Authority Loan 1892	25,455	7.14%
Ohio Water Development Authority Loan 1891	42,141	7.21%
Ohio Water Development Authority Loan 2879	435,423	2%
Ohio Water Development Authority Loan 4303	3,797,830	1.5-3.99%
Ohio Public Works Commission Loan CQ017	12,641	0%
Total	<u>\$4,433,376</u>	

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.

The Village sold Note 400956 in the amount of \$29,417 to Kingston National Bank on April 21, 2015 to purchase a police vehicle. The note carries an interest rate of 2.75% and requires monthly payments. The note matures on April 15, 2018.

The Village sold Note 401033 in the amount of \$43,233 to Kingston National Bank on April 15, 2016 to purchase a police vehicle. The note carries an interest rate of 2.75% and requires monthly payments. The note matures on March 15, 2019.

The Village sold Note 401107 in the amount of \$32,594 to Kingston National Bank on April 15, 2017 to purchase police equipment. The Note carries an interest rate of 3.10% and requires monthly payments. The note matures on March 15, 2020.

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The Village sold Note 401108 in the amount of \$37,436 to Kingston National Bank on April 15, 2017 to purchase a police vehicle. The Note carries an interest rate of 3.10% and requires monthly payments. The Note matures on March 15, 2020.

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

	OWDA 4303	OWDA 2879	OPWC CQ107	OWDA 1891	OWDA 1892	OWDA 1893
Year Ended December 31:						
2018	256,104	84,422	12,641	43,819	26,483	28,043
2019	256,104	84,422	0	0	0	0
2020	256,104	84,422	0	0	0	0
2021	256,104	84,422	0	0	0	0
2022	256,104	84,422	0	0	0	0
2023-2027	1,280,520	84,422	0	0	0	0
2028-2033	1,280,520	0	0	0	0	0
2034-2038	1,152,467	0	0	0	0	0
	4,994,027	506,532	12,641	43,819	26,483	28,043

	OWDA 1894	Note 401033	Note 400956	Note 401107	Note 401108
Year Ended December 31:					
2018	11,340	15,030	3,377	7,045	8,092
2019	0	3,755	0	7,045	8,092
2020	0	0	0	1,761	2,023
2021	0	0	0	0	0
2022	0	0	0	0	0
2023-2027	0	0	0	0	0
2028-2033	0	0	0	0	0
2034-2038	0	0	0	0	0
	11,340	18,785	3,377	15,851	18,207

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages.

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The Village has paid contributions required through December 31, 2017. For 2017, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Both OPERS and OP&F offer cost-sharing multiple-employer defined postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.Ⓔ

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 a coverage from last year.

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow.

10. SUBSEQUENT EVENTS

On July 3, 2018 the Village entered into a mortgage agreement with Kingston National Bank for the purpose of designing, renovating, constructing and equipping a new Village Hall. The debt issued was for \$700,000 and will mature on July 1, 2034.

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2017

11. RELATED PARTIES

In August of 2017 the Village entered into a contract with Roesse Brother's Paving Company in the amount of \$12,928 for a repaving project. The owners of Roesse Brother's Paving Company are cousins of the Council President, Jill Roesse.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Governmental Fund Types

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Local Taxes	\$ 73,464	\$ -	\$ -	\$ 73,464
Municipal Income Tax	377,612	-	-	377,612
Intergovernmental	12,812	139,169	-	151,981
Special Assessments	32,693	-	-	32,693
Charges for Services	132,387	-	-	132,387
Fines, Licenses, and Permits	150,313	10,850	-	161,163
Earnings on Investments	1,264	-	-	1,264
Miscellaneous	22,936	1,890	-	24,826
Total Cash Receipts	803,481	151,909	-	955,390
Cash Disbursements:				
Current:				
Security of Persons & Property	499,985	2,835	-	502,820
Leisure Time Activities	1,000	54,607	-	55,607
Community Environment	12,694	-	-	12,694
Basic Utility Services	162,021	-	-	162,021
Transportation	-	90,288	-	90,288
General Government	133,336	-	-	133,336
Debt Service:				
Principal	19,043	-	-	19,043
Interest	1,212	-	-	1,212
Total Cash Disbursements	829,291	147,730	-	977,021
<i>Excess of Receipts Over (Under) Disbursements:</i>	(25,810)	4,179	-	(21,631)
Other Financing Receipts (Disbursements):				
Advances In	12,000	12,000	-	24,000
Advances Out	(12,000)	(12,000)	-	(24,000)
Other Debt Proceeds	43,233	-	-	43,233
Other Uses	(493)	-	-	(493)
Total Other Financing Receipts (Disbursements)	42,740	-	-	42,740
<i>Net Change in Fund Cash Balances</i>	16,930	4,179	-	21,109
Fund Cash Balances, January 1	21,697	97,124	13,698	132,519
Restricted	-	101,303	4,357	105,660
Committed	-	-	9,341	9,341
Assigned	50,098	-	-	50,098
Unassigned	(11,471)	-	-	(11,471)
Fund Cash Balances, December 31	\$ 38,627	\$ 101,303	\$ 13,698	\$ 153,628

The notes are an integral part of these financial statements.

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 1,206,524	\$ -	\$ 1,206,524
Miscellaneous	1,748	-	1,748
Total Operating Cash Receipts	<u>1,208,272</u>	<u>-</u>	<u>1,208,272</u>
Operating Cash Disbursements			
Personal Services	224,850	-	224,850
Fringe Benefits	117,703	-	117,703
Contractual services	370,799	-	370,799
Supplies and Materials	134,537	-	134,537
Other	12,000	4,229	16,229
Total Operating Cash Disbursements	<u>859,889</u>	<u>4,229</u>	<u>864,118</u>
<i>Operating Income (Loss)</i>	348,383	(4,229)	344,154
Non-Operating Receipts (Disbursements)			
Special Assessments	18,039	-	18,039
Transfers In	60,000	-	60,000
Transfers Out	(60,000)	-	(60,000)
Capital Outlay	(90,103)	-	(90,103)
Other Non-Operating Disbursements	-	(115,361)	(115,361)
Other Non-Operating Receipts	-	118,832	118,832
Debt Service:			
Principal	(366,507)	-	(366,507)
Interest	(126,379)	-	(126,379)
Total Non-Operating Receipts (Disbursements)	<u>(564,950)</u>	<u>3,471</u>	<u>(561,479)</u>
<i>Net Change in Fund Cash Balances</i>	(216,567)	(758)	(217,325)
Fund Cash Balances, January 1	<u>611,919</u>	<u>12,333</u>	<u>624,252</u>
Fund Cash Balances, December 31	<u>\$ 395,352</u>	<u>\$ 11,575</u>	<u>\$ 406,927</u>

The notes are an integral part of these financial statements.

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of South Bloomfield (the Village), Pickaway County, 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with Harrison Township to receive fire protection services.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

C. Deposit and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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 accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.
- 2. Special Revenue Funds** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Capital Projects Funds – These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital projects fund:

Sewer Plant Fund. The sewer plant fund accounts for and reports proceeds related to the sewer plant project. The proceeds are committed for underground storage tanks.

- 3. Enterprise Funds** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

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

- 4. Fiduciary Funds (Agency Fund)** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following 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.

E. Budgetary Process

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

- 1. Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 approve estimated resources.
3. **Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated.

A summary of 2016 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.
2. **Restricted** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.
3. **Committed** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.
4. **Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.
5. **Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2016

G. 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.

H. Accumulated Leave

In certain circumstances such as upon leaving employment, employees are entitled to cash payments for unused sick leave. The financial statement do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

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

	<u>2016</u>
Demand deposits	<u>\$560,555</u>
Total deposits:	<u>\$560,555</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.

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2016

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$863,000	\$858,714	\$4,286
Special Revenue	124,508	163,909	(39,401)
Enterprise	1,285,942	1,286,311	(369)
Capital Projects	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$2,273,450</u>	<u>\$2,308,934</u>	<u>(\$35,484)</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$792,183	\$850,458	(\$58,275)
Special Revenue	170,192	160,320	9,872
Enterprise	1,557,538	1,507,612	49,926
Capital Projects	<u>9,341</u>	<u>0</u>	<u>9,341</u>
Total	<u>\$2,529,254</u>	<u>\$2,518,390</u>	<u>\$10,864</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$58,275 for the year ended December 31, 2016.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note 400956	\$13,350	2.75%
Note 401033	32,756	2.75%
Ohio Water Development Authority Loan 1894	21,060	7.38%
Ohio Water Development Authority Loan 1893	52,286	6.51%
Ohio Water Development Authority Loan 1892	49,222	7.14%
Ohio Water Development Authority Loan 1891	123,576	7.21%
Ohio Water Development Authority Loan 2879	509,653	2%
Ohio Water Development Authority Loan 4303	3,951,257	1.5-3.99%
Ohio Public Works Commission Loan CQ017	25,282	0%
Total	<u>\$4,778,442</u>	

The Village sold Note 400956 in the amount of \$29,417 to Kingston National Bank on April 21, 2015 to purchase a police vehicle. The note carries an interest rate of 2.75% and requires monthly payments. The note matures on April 15, 2018.

The Village sold Note 401033 in the amount of \$43,233 to Kingston National Bank on April 15, 2016 to purchase a police vehicle. The note carries an interest rate of 2.75% and requires monthly payments. The note matures on March 15, 2019.

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.

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

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2016

	OWDA 4303	OWDA 2879	OPWC CQ107	OWDA 1891	OWDA 1892	OWDA 1893
Year Ended December 31:						
2017	256,104	84,422	12,641	85,116	25,388	27,109
2018	256,104	84,422	12,641	87,639	26,110	27,725
2019	256,104	84,422	0	0	13,241	14,022
2020	256,104	84,422	0	0	0	0
2021	256,104	84,422	0	0	0	0
2022-2026	1,280,520	168,844	0	0	0	0
2027-2032	1,280,520	0	0	0	0	0
2033-2037	1,152,467	0	0	0	0	0
	4,994,027	590,955	25,282	172,755	64,739	68,856

	OWDA 1894	Note 401033	Note 400956
Year Ended December 31:			
2017	10,837	15,030	10,234
2018	11,169	15,030	3,377
2019	5,670	3,755	0
2020	0	0	0
2021	0	0	0
2022-2026	0	0	0
2027-2032	0	0	0
2033-2037	0	0	0
	27,676	33,815	13,611

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid contributions required through December 31, 2016. For 2016, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Both OPERS and OP&F offer cost-sharing multiple-employer defined postemployment plans, which

Village of South Bloomfield
Pickaway County
Notes to the Financial Statements
For the Year Ended December 31, 2016

include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.Ⓓ

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 a coverage from last year.

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow.

10. SUBSEQUENT EVENTS

On July 3, 2018 the Village entered into a mortgage agreement with Kingston National Bank for the purpose of designing, renovating, constructing and equipping a new Village Hall. The debt issued was for \$700,000 and will mature on July 1, 2034.

The Village sold Note 401107 in the amount of \$32,594 to Kingston National Bank on April 15, 2017 to purchase police equipment. The note carries an interest rate of 3.10% and requires monthly payments. The note matures on March 15, 2020.

The Village sold Note 401108 in the amount of \$37,436 to Kingston National Bank on April 15, 2017 to purchase a police vehicle. The note carries an interest rate of 3.10% and requires monthly payments. The note matures on March 15, 2020.

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OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of South Bloomfield, Pickaway County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated August 8, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-003 to be material weaknesses.

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, opining 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-002, 2017-004 through 2017-006.

Village's Responses to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

August 8, 2019

**VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Financial Reporting – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintained internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to lack of review of the financial statements, the following adjustments were material and were adjusted to the December 31, 2017 financial statements:

- Reclassify debt payments in the General Fund from General Government to principal and interest in the amounts of \$31,002 and \$2,249, respectively.
- Reclassify fund balance in the General Fund from Unassigned to Assigned Fund Balance in the amount of \$122,290.
- Reclassify revenue in the Special Revenue Funds from Special Assessments to Fines, License, and Permits in the amount of \$20,403 and Miscellaneous in the amount of \$1,445.
- Adjustment to bring on Mayor’s Court activity in the Agency Fund of Beginning Fund balance in the amount of \$7,640, Other Non-Operating Expenditures in the amount of \$165,161 and Other Non-Operating Receipts in the amount of \$163,553.
- Adjustment in the Enterprise Fund to decrease Other Operating Expenditures and increase Beginning Fund Balance \$765 to reverse an unsupported fund balance adjustment made by the Village.
- Reclassify Capital Project fund activity improperly classified in the Special Revenue fund type in the amount of \$13,698.

The following adjustments were material and were adjusted to the December 31, 2016 financial statements:

- Reclassify debt payments in the General Fund from Security of Persons and Property to principal and interest in the amounts of \$13,956 and \$855, respectively.
- Adjustment in the General and Special Revenue Fund to increase Advances in and Advances Out \$12,000 for advances and repayment of advances improperly posted as fund balance adjustments.
- Adjustment in the General Fund to bring on Other Debt Proceeds and Security of Persons and Property disbursements in the amount of \$43,233 for unrecorded debt activity.
- Reclassify fund balance in the General Fund from Unassigned to Assigned Fund Balance in the amount of \$50,098.
- Reclassify Capital Project fund activity improperly classified in the Special Revenue fund type in the amount of \$13,698.

VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2017-001 (Continued)

Financial Reporting – Material Weakness (Continued)

- Reclassify revenue in the Special Revenue Funds from Special Assessments to Fines, License, and Permits in the amount of \$10,850 and Miscellaneous in the amount of \$1,890.
- Adjustment in the Enterprise Fund to increase Transfers in and Transfers Out \$60,000 for transfers improperly posted as fund balance adjustments.
- Adjustment to bring on Mayor's Court activity in the Agency Fund of Beginning Fund balance in the amount of \$4,169 Other Non-Operating Expenditures in the amount of \$115,361, and Other Non-Operating Receipts in the amount of \$118,832.

In addition to the items noted above, we also identified additional immaterial misstatements ranging from \$5,985 to \$8,692 that we have brought to the Village's attention.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Village's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. In addition, the Village should review AOS Bulletin 2011-004 for guidance on GASB Statement No. 54 requirements. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year.

Officials' Response: The Village's Fiscal Officer will review AOS Bulletin 2011-004 to learn the proper way to handle all adjustments and posting of transactions moving forward.

VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2017-002

Cash Withdrawals – Noncompliance and Finding for Recovery

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

Due to lack of controls over cash withdraws, during the period January 1, 2016 to December 31, 2017, the Village wrote 11 checks made out to cash for various purposes, which totaled \$2,107. Only \$802 of the \$2,107 had supporting documentation. The remaining \$1,305 had no supporting documentation maintained to support the expenses.

The failure to maintain adequate support for expenditures could result in a loss of accountability over the finances of the Village, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds, or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount for such expenditure.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code § 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against the Former Fiscal Officer, Iris Darst, and her bonding company, The Cincinnati Insurance Company, jointly and severally, in the amount of \$1,305 for checks written to cash, and in favor of the following funds:

- General Fund \$87
- Sewer Fund \$200
- Parks and Recreation Fund \$1,018

We recommend Village Council establish policies and procedures over cash withdraws. The policy should include but not be limited to, established, pre-approval requirements, the types of purchases that may be made and receipt documentation requirements.

Officials' Response: The Village has since ceased all donations for Village events starting in 2018. A policy and procedure will be created for all other cash withdraws with types of purchases and receipt documentation requirements.

VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2017-003

Utility Billing Adjustments – Material Weakness

The Village bills and collects water and sewer fees for residents. Under certain circumstances, adjustments to customer accounts are required. It is the Village's informal policy that the Fiscal Officer inputs the adjustments and the Village Administrator reviews and approves all adjustments to ensure they are proper.

Due to lack of controls and policies regarding utility billing adjustments, there was no documentation of the Village Administrator's approval of 5 out of 5 adjustments tested in 2016 and 5 out of 5 tested in 2017. The Village noted there is no review/approval process that is followed for non-cash adjustments.

Failure to approve non-cash billing adjustments and maintain record of the approval increases the likelihood of improper or unauthorized adjustments to customer accounts.

We recommend the Village create a formal utility billing adjustment policy to govern the non-cash utility billing adjustment process. The policy should include, but is not limited to, valid reasons for non-cash adjustments, process for initiating an adjustment, process for approving the adjustments and process for entering the adjustments. Furthermore, the Village should maintain record of each step in the process.

Officials' Response: The Village will expand its internal policy to include the suggestions from the AOS. As well as maintain all records for all adjustments.

VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2017-004

Approval of Transfers and Advances – Noncompliance

Ohio Rev. Code § 5705.14 requires any transfer authorized by that section to be made through a resolution of the taxing authority passed by an affirmative vote of two-thirds of the members (except a simple majority is sufficient for transfers from the general fund).

In addition, Auditor of State Bulletin 97-003 indicates that in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established; The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and must be approved by a formal resolution of the taxing authority of the subdivision. This resolution must include:

- a. A specific statement that the transaction is an advance of cash, and
- b. An indication of the money (fund) from which it is expected that repayment will be made.

In 2016, the Village transferred \$60,000 from the Water Operating Fund to the Water Debt Service Fund. The transfer was not formally approved due to lack of controls over compliance.

In 2016, the Village advanced \$12,000 from the General Fund to the Street Construction, Maintenance and Repair Fund. The advance was not approved by resolution or posted to the financial statements due to lack of controls over compliance. The advance was identified on the ledgers as a fund balance adjustment. The advance was repaid as of December 31, 2016.

Failure to approve all transfers and advances as required results in non-compliance.

We recommend the Village follow **Ohio Rev. Code § 5705.14 through 5705.16** and approve the transfers and advances by resolution and record the approval in the meeting minutes.

Officials' Response: The Village's transfers and/or advances will be brought before the Village Council for their approval through resolution.

VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2017-005

Expenditures Exceed Appropriations – Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Village is the level at which Council adopts the original appropriation measure.

Due to lack of monitoring the budget, budgetary expenditures exceeded appropriations as follows:

Year	Fund	Final Appropriations	Final Expenditures	Variance
2017	General	\$960,755	\$965,259	\$4,504
2016	General	\$792,183	\$850,458	\$58,275

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources and deficit spending.

We recommend the Fiscal Officer take the appropriate measures to ensure expenditures do not exceed appropriations. This could include, but is not limited to, increasing appropriations through Council approvals.

Officials' Response: The Village will take all appropriation increases to Council for an approval.

VILLAGE OF SOUTH BLOOMFIELD
PICKAWAY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2017-006

Related Party Transactions – Noncompliance

Ohio Rev. Code § 2921.42(A) states, in part, that no public employee or official shall knowingly do any of the following:

- (1) Authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest;
- (2) Authorize, or employ the authority or influence of the public official's office to secure the investment of public funds in any share, bond, mortgage, or other security, with respect to which the public official, a member of the public official's family, or any of the public official's business associates either has an interest, is an underwriter, or receives any brokerage, origination, or servicing fees;
- (3) During the public official's term of office or within one year thereafter, occupy any position of profit in the prosecution of a public contract authorized by the public official or by a legislative body, commission, or board of which the public official was a member at the time of authorization, unless the contract was let by competitive bidding to the lowest and best bidder;
- (4) Have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected;
- (5) Have an interest in the profits or benefits of a public contract that is not let by competitive bidding if required by law and that involves more than one hundred fifty dollars.

Due to lack of controls and policies regarding related party transactions, we noted the Village contracted with Roesse Brothers Paving to repave a Village street in 2017 in the amount of \$12,928. Roesse Brothers Paving is owned by cousins of the Village Council President. The Village did not vote to approve the contract with Roesse Brothers Paving and did not maintain a signed contract and therefore we are unable to determine whether the Council President was involved in the transaction. Additionally, we requested the Village adjust their note disclosures to include this related party transaction.

Failure to ensure Village management is independent from vendors and all other related party transactions could result in the Village entering into contracts that might not be in the best interest of the Village. Related individuals should abstain from approving any transactions related to their family members.

We recommend the Village take appropriate steps to verify that management is independent during all transactions and policies and procedures are in place to detect and appropriately address any conflicts of interest.

This matter will be referred to the Ohio Ethics Commission.

Officials' Response: All members of our Village Council are informed they must abstain from any votes where the matter concerns anyone whom maybe related/associated with.



Village of South Bloomfield

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 and 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Prior Certification	Partially Corrected	Reissued as a Management Letter comment
2015-002	Financial Reporting	Not Corrected	Repeated as Finding 2017-001
2015-003	Certificate Of Estimated Resources	Fully Corrected	
2015-004	Excess of Appropriations	Not Corrected	Repeated as Finding 2017-005
2015-005	Income Tax Department Control	Fully Corrected	

OHIO AUDITOR OF STATE KEITH FABER



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
OCTOBER 3, 2019**