

**VILLAGE OF NORTH BEND  
HAMILTON COUNTY  
Regular Audit  
December 31, 2010 and 2009**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

Village Council  
Village of North Bend  
21 Taylor Avenue  
North Bend, Ohio 45052

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

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

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

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

Dave Yost  
Auditor of State

September 28, 2011

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**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

July 27, 2011

Village of North Bend  
Hamilton County  
21 Taylor Avenue  
North Bend, OH 45052

To the Village Council:

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

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009 or its changes in financial position for the years then ended.

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

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.



**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 296,220	\$ 36,927	\$ 333,147
Intergovernmental	90,123	44,158	134,281
Special Assessments	-	194,253	194,253
Fines, Licenses and Permits	17,500	-	17,500
Earnings on Investments	1,687	-	1,687
Miscellaneous	1,148	250	1,398
	<u>406,678</u>	<u>275,588</u>	<u>682,266</u>
<b>Total Cash Receipts</b>			
	<u>406,678</u>	<u>275,588</u>	<u>682,266</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	85,717	105,192	190,909
Public Health Services	152	-	152
Leisure Time Activities	2,647	2,631	5,278
Community Environment	2,250	-	2,250
Basic Utility Services	30,342	-	30,342
Transportation	-	201,672	201,672
General Government	132,072	-	132,072
Capital Outlay	-	4,159	4,159
	<u>253,180</u>	<u>313,654</u>	<u>566,834</u>
<b>Total Cash Disbursements</b>			
	<u>253,180</u>	<u>313,654</u>	<u>566,834</u>
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>153,498</u>	<u>(38,066)</u>	<u>115,432</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfer-In	-	60,000	60,000
Transfer-Out	(60,000)	-	(60,000)
	<u>(60,000)</u>	<u>60,000</u>	<u>-</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
	<u>(60,000)</u>	<u>60,000</u>	<u>-</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>93,498</u>	<u>21,934</u>	<u>115,432</u>
<b>Fund Cash Balances, January 1</b>	<u>612,066</u>	<u>121,430</u>	<u>733,496</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 705,564</b></u>	<u><b>\$ 143,364</b></u>	<u><b>\$ 848,928</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$ 398</b></u>	<u><b>\$ 697</b></u>	<u><b>\$ 1,095</b></u>

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

**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Fiduciary Fund Type</u>
	<u>Agency Fund</u>
<b>Non-Operating Cash Receipts/(Disbursements):</b>	
Earnings on Investments	1
Other Non-Operating Receipts	8,000
Other Non-Operating Disbursements	<u>(6,012)</u>
Total Non-Operating Cash Receipts/(Disbursements)	<u>1,989</u>
Fund Cash Balances, January 1	<u>7,000</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$ 8,989</u></u></b>

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

**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 294,791	\$ 36,248	\$ 331,039
Intergovernmental	72,591	39,981	112,572
Charges for Services	98	-	98
Fines, Licenses and Permits	15,222	-	15,222
Earnings on Investments	7,899	11	7,910
Miscellaneous	1,436	-	1,436
	<u>392,037</u>	<u>76,240</u>	<u>468,277</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	84,765	94,806	179,571
Leisure Time Activities	3,226	2,464	5,690
Community Environment	1,651	-	1,651
Basic Utility Services	16,832	-	16,832
Transportation	-	51,740	51,740
General Government	109,459	188	109,647
Capital Outlay	-	5,579	5,579
	<u>215,933</u>	<u>154,777</u>	<u>370,710</u>
<b>Total Cash Disbursements</b>			
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>176,104</u>	<u>(78,537)</u>	<u>97,567</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfer-In	-	96,500	96,500
Transfer-Out	(96,500)	-	(96,500)
	<u>(96,500)</u>	<u>96,500</u>	<u>-</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	79,604	17,963	97,567
Fund Cash Balances, January 1 - Restated, See Note 7	532,462	103,467	635,929
<b>Fund Cash Balances, December 31</b>	<u>\$ 612,066</u>	<u>\$ 121,430</u>	<u>\$ 733,496</u>
Reserve for Encumbrances, December 31	<u>\$ 77</u>	<u>\$ 268</u>	<u>\$ 345</u>

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

VILLAGE OF NORTH BEND  
HAMILTON COUNTY

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

	<u>Fiduciary Fund Type</u>
	<u>Agency Fund</u>
<b>Non-Operating Cash Receipts/(Disbursements):</b>	
Other Non-Operating Receipts	\$ 6,000
Total Non-Operating Cash Receipts/(Disbursements)	<u>6,000</u>
Fund Cash Balances, January 1 - Restated, See Note 7	<u>1,000</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$ 7,000</u></u></b>

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

**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Village of North Bend, Hamilton County, Ohio (the Village) is a body corporate and politic 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 road maintenance. The Village contracts with the Hamilton County Sheriff's Department to provide security of persons and property, and with Miami Township to provide EMS and fire protection services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

**C. Deposits 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 deposits and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

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

**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**D. Fund Accounting**

**2. Special Revenue Funds (Continued)**

Street Construction, Maintenance, and Repair – OPWC Fund – This fund receives Ohio Public Works Commission (OPWC) money for constructing, maintaining, and repairing Village streets.

**3. Fiduciary Funds (Agency Funds)**

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's agency fund accounts for building deposits.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED DEPOSITS**

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

	2010	2009
Demand Deposits	\$ 457,917	\$ 498,436
Certificates of Deposit	400,000	242,060
Total	\$ 857,917	\$ 740,496

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, or (3) collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

**2010 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 328,801	\$ 406,678	\$ 77,877
Special Revenue	353,595	335,588	(18,007)
Total	682,396	742,266	59,870

**2010 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 475,854	\$ 313,578	\$ 162,276
Special Revenue	406,431	314,351	92,080
Total	882,285	627,929	254,356

**2009 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 366,639	\$ 392,037	\$ 25,398
Special Revenue	170,994	172,740	1,746
Total	\$ 537,633	\$ 564,777	\$ 27,144

**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 481,554	\$ 312,510	\$ 169,044
Special Revenue	187,363	155,045	32,318
Total	\$ 668,917	\$ 467,555	\$ 201,362

**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 homestead and rollback deductions. The financial statements include homestead and rollback 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.

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.

**5. RETIREMENT SYSTEMS**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10.0% of their gross salaries, and the Village contributed an amount equaling 14.0% of participants' gross salaries. The Village paid all contributions required through December 31, 2010.

**6. RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.



**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	(15,256,862)	(15,310,206)
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Village's share of these unpaid claims collectible in future years is approximately \$7,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2009</u>	<u>2008</u>
\$7,331	\$8,248

**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

Financial Position (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**7. PRIOR PERIOD FUND BALANCE RESTATEMENT**

The Village required an adjustment in 2009:

	<u>General</u>	<u>Agency</u>
Balance as of December 31, 2009	\$ 533,462	\$ -
Auditor Adjustments	<u>(1,000)</u>	<u>1,000</u>
Adjusted Fund Balance	<u>\$ 532,462</u>	<u>\$ 1,000</u>

The Village's Building Deposit Agency Fund balance was adjusted to include the opening balance incorrectly included in the General Fund during the prior audit.

***Perry & Associates***  
**Certified Public Accountants, A.C.**

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

July 27, 2011

Village of North Bend  
Hamilton County  
21 Taylor Avenue  
North Bend, OH 45052

To the Village Council:

We have audited the financial statements of **Village of North Bend**, Hamilton County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 27, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001 and 2010-002 described in the accompanying schedule of audit findings 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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 27, 2011.

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry and Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-001**

**Material Weakness**

**Posting Receipts**

Receipts should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2010 and 2009, several receipts were not posted into accurate revenue classifications based on the source of the receipt. The following posting errors were noted:

- Homestead and Rollback revenues were improperly posted as Property and Other Local Taxes instead of Intergovernmental.
- Public utility reimbursement revenues were improperly posted as Charges for Services instead of Intergovernmental.
- FEMA grant revenues were improperly posted as Miscellaneous instead of Intergovernmental.
- Building deposit activity was not properly recorded in an agency fund.

Not posting revenues accurately resulted in the financial statements requiring several adjustments and reclassifications. The financial statements reflect all adjustments and reclassifications, and the client has made all adjustments to the system.

We recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2010-002**

**Material Weakness**

**Building Deposit Agency Fund**

During 2010 and 2009, the Village did not record receipts related to building deposits in the Village's receipts ledger. Building deposit funds are maintained in a separate bank account and reconciliations of building deposit activity to the Village's bank account balances were not completed.

These weaknesses could allow recording errors and irregularities to occur and remain undetected. Adjustments were made to the Village's books to properly reflect the building deposit activity.

We recommend the Village establish a separate Building Deposit Agency Fund, and that the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Village Council for the Council's review and use in managing the Village. The Fiscal Officer should reconcile activity entered in the receipts ledger to the supporting documentation.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2008-001	ORC Section 5705.36(A)(4) – Failure to acquire amended/reduced certificate	No	Not Corrected; Repeated in the Management Letter
2008-002	ORC Section 5705.41(D) – Expenditures not properly encumbered	Yes	
2008-003	ORC Section 117-2-02(C)(1) – Accounting system not updated for budgetary changes	No	Not Corrected; Repeated in the Management Letter
2008-004	Posting Receipts	No	Not Corrected; Repeated as Finding 2010-001



# Dave Yost • Auditor of State

VILLAGE OF NORTH BEND

HAMILTON 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 11, 2011