

VILLAGE OF NORTH BEND
HAMILTON COUNTY, OHIO

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of North Bend, Hamilton County, prepared by Bastin & Company, LLC, for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

October 27, 2015

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**VILLAGE OF NORTH BEND
HAMILTON COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of North Bend, Hamilton County, Ohio, (the Village) as of and for the years ended December 31, 2014 and 2013.

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 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 opinion.

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

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, 2014 and 2013, or 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 combined cash balances of the Village of North Bend, Hamilton County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the December 31, 2012 cash balances by fund type have been restated to correct for a misstatement. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2015, 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.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a white background.

Cincinnati, Ohio
August 18, 2015

**VILLAGE OF NORTH BEND
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts:</i>				
Property and Other Local Taxes	\$ 282,959	\$ 87,217	\$ -	\$ 370,176
Intergovernmental	61,527	44,176	-	105,703
Licenses, Permits, and Fees	25,691	-	-	25,691
Miscellaneous	9,327	4,250	-	13,577
Total Cash Receipts	379,504	135,643	-	515,147
<i>Cash Disbursements:</i>				
Current:				
Security of Persons and Property	101,128	80,188	-	181,316
Leisure Time Activities	12,256	6,500	6,420	25,176
Community Environment	7,089	-	-	7,089
Public Health Services	1,076	-	-	1,076
Basic Utility Services	7,934	-	-	7,934
Transportation	-	162,937	-	162,937
General Government	126,209	-	4,380	130,589
Capital Outlay	55,826	13,510	108,469	177,805
Debt Service:				
Principal Payments	-	-	15,948	15,948
Total Cash Disbursements	311,518	263,135	135,217	709,870
Total Receipts Over (Under) Disbursements	67,986	(127,492)	(135,217)	(194,723)
<i>Other Financing Receipts (Disbursements):</i>				
Proceeds from OPWC Loan	-	-	33,469	33,469
Transfers-In	-	46,000	100,400	146,400
Transfers-Out	(146,400)	-	-	(146,400)
Total Other Financing Receipts (Disbursements)	(146,400)	46,000	133,869	33,469
Net Change in Fund Cash Balances	(78,414)	(81,492)	(1,348)	(161,254)
Fund Cash Balances, January 1	767,706	113,430	81,420	962,556
Fund Cash Balances, December 31:				
Restricted	-	31,938	-	31,938
Assigned	432	-	80,072	80,504
Unassigned	688,860	-	-	688,860
Fund Cash Balances, December 31	\$ 689,292	\$ 31,938	\$ 80,072	\$ 801,302

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

**VILLAGE OF NORTH BEND
HAMILTON COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
AND CHANGES IN FUND BALANCE (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Fiduciary Fund Types
	Agency
<i>Non-Operating Cash Receipts:</i>	
Other Non-Operating Receipts	4,000
Total Non-Operating Cash Receipts	4,000
<i>Non-Operating Cash Disbursements:</i>	
Other Non-Operating Disbursements	6,000
Total Non-Operating Cash Disbursements	6,000
Net Receipts Over (Under) Disbursements	(2,000)
Fund Cash Balances, January 1	8,956
Fund Cash Balances, December 31	\$ 6,956

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

**VILLAGE OF NORTH BEND
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts:</i>				
Property and Other Local Taxes	\$ 289,363	\$ 39,407	\$ -	\$ 328,770
Intergovernmental	65,685	48,972	227,253	341,910
Licenses, Permits, and Fees	25,307	-	-	25,307
Miscellaneous	4,678	-	-	4,678
Total Cash Receipts	385,033	88,379	227,253	700,665
<i>Cash Disbursements:</i>				
Current:				
Security of Persons and Property	121,553	31,685	-	153,238
Leisure Time Activities	8,483	-	-	8,483
Community Environment	4,081	-	-	4,081
Public Health Services	1,068	-	-	1,068
Basic Utility Services	9,490	-	-	9,490
Transportation	-	129,230	-	129,230
General Government	142,794	-	-	142,794
Capital Outlay	-	-	159,170	159,170
Debt Service:				
Principal Payments	-	7,389	7,389	14,778
Total Cash Disbursements	287,469	168,304	166,559	622,332
Total Receipts Over (Under) Disbursements	97,564	(79,925)	60,694	78,333
<i>Other Financing Receipts (Disbursements):</i>				
Proceeds from OPWC Loan	-	-	13,337	13,337
Transfers-In	-	82,000	7,389	89,389
Transfers-Out	(89,389)	-	-	(89,389)
Total Other Financing Receipts (Disbursements)	(89,389)	82,000	20,726	13,337
Net Change in Fund Cash Balances	8,175	2,075	81,420	91,670
Fund Cash Balances, January 1	759,531	111,355	-	870,886
Fund Cash Balances, December 31:				
Restricted	-	113,430	81,420	194,850
Assigned	1,059	-	-	1,059
Unassigned	766,647	-	-	766,647
Fund Cash Balances, December 31	\$ 767,706	\$ 113,430	\$ 81,420	\$ 962,556

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

**VILLAGE OF NORTH BEND
HAMILTON COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
AND CHANGES IN FUND BALANCE (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Fiduciary Fund Types
	Agency
<i>Non-Operating Cash Receipts:</i>	
Other Non-Operating Receipts	2,000
Total Non-Operating Cash Receipts	2,000
<i>Non-Operating Cash Disbursements:</i>	
Other Non-Operating Disbursements	2,033
Total Non-Operating Cash Disbursements	2,033
Net Receipts Over (Under) Disbursements	(33)
Fund Cash Balances, January 1	8,989
Fund Cash Balances, December 31	\$ 8,956

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

VILLAGE OF NORTH BEND
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of North Bend, Hamilton County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides road maintenance and park operations. 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 participates in the Public Entities Pool of Ohio public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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 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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village maintains a general checking account and has no investments.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are 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.

VILLAGE OF NORTH BEND
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

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

Life Squad Fund – This fund receives property tax monies to contract with Miami Township to provide EMS and fire protection services.

3. Capital Project Funds

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

Shady Lane MRF Project Fund – This fund received municipal road funds from Hamilton County for the funding of improvements to Shady Lane.

Washington Avenue Sewer Fund – This fund receives monies through OPWC debt proceeds and grants for the funding of Washington Avenue storm sewer improvements.

4. Fiduciary Funds

Fiduciary Funds include agency funds, which are purely custodial in nature and 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 or object level 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 NORTH BEND
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

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 reappropriated.

A summary of 2014 and 2013 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.

VILLAGE OF NORTH BEND
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

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.

G. 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.

H. 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 all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	<u>2014</u>	<u>2013</u>
Demand deposits	<u>\$ 808,258</u>	<u>\$ 971,512</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$332,056	\$379,504	\$ 47,448
Special Revenue	174,101	181,643	7,542
Capital Projects	133,869	133,869	-
Total	\$ 640,026	\$ 695,016	\$ 54,990

VILLAGE OF NORTH BEND
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$548,421	\$458,350	\$ 90,071
Special Revenue	274,791	263,507	11,284
Capital Projects	215,289	135,217	80,072
Total	<u>\$ 1,038,501</u>	<u>\$ 857,074</u>	<u>\$ 181,427</u>

2013 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$326,338	\$385,033	\$ 58,695
Special Revenue	183,052	170,379	(12,673)
Capital Projects	247,979	247,979	-
Total	<u>\$ 757,369</u>	<u>\$ 803,391</u>	<u>\$ 46,022</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$526,293	\$377,917	\$ 148,376
Special Revenue	257,515	169,956	87,559
Capital Projects	241,559	166,559	75,000
Total	<u>\$ 1,025,367</u>	<u>\$ 714,432</u>	<u>\$ 310,935</u>

Contrary to ORC 5705.41(D), the Village had invoices dated prior to certification.

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.

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

VILLAGE OF NORTH BEND
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

5. DEBT

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
OPWC Loan #CB20N	\$ 47,667	0.00%
OPWC Loan #CB14N	43,642	0.00%
OPWC Loan #CB03O	31,220	0.00%
OPWC Loan #CB36P	45,636	0.00%
Total	\$ 168,165	

The OPWC Loan #CB20N relates to the financing of Brower Road improvements in 2011. The total amount disbursed to the Village was \$68,097. The loan will be repaid in semi-annual installments of \$3,405 over 10 years.

The OPWC Loan #CB14N relates to the financing of Cliff Road improvements in 2011. The total amount disbursed to the Village was \$62,345. The loan will be repaid in semi-annual installments of \$3,117 over 10 years.

The OPWC Loan #CB03O relates to the financing of Lakeview Drive improvements in 2012. The total amount disbursed to the Village was \$34,688. The loan will be repaid in semi-annual installments of \$867 over 20 years.

The OPWC Loan #CB36P relates to the financing of Washington Avenue storm sewer improvements in 2014. The total amount disbursed to the Village was \$46,806. The loan will be repaid in semi-annual installments of \$1,170 over 20 years.

Amortization of the above debt is scheduled as follows:

Year ending	OPWC #CB20N	OPWC #CB14N	OPWC #CB03O	OPWC #CB36P	Total
December 31:					
2015	\$ 6,810	\$ 6,234	\$ 1,734	\$ 2,340	\$ 17,118
2016	6,810	6,235	1,735	2,340	17,120
2017	6,810	6,234	1,734	2,340	17,118
2018	6,810	6,235	1,735	2,340	17,120
2019	6,810	6,234	1,734	2,340	17,118
2020-2024	13,617	12,470	8,672	11,702	46,461
2025-2029	-	-	8,672	11,702	20,374
2030-2034	-	-	5,204	10,532	15,736
Total	\$ 47,667	\$ 43,642	\$ 31,220	\$ 45,636	\$ 168,165

VILLAGE OF NORTH BEND
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

6. INTERFUND TRANSFERS

During 2013, the following transfers were made:

From the General Fund to the Street Construction, Maintenance & Repair Fund	\$ 82,000
From the General Fund to the Brower Road Fund	3,405
From the General Fund to the Lakeview Drive Fund	867
From the General Fund to the Cliff Road Fund	<u>3,117</u>
Total 2013 Transfers	<u>\$ 89,389</u>

During 2014, the following transfers were made:

From the General Fund to the Street Construction, Maintenance & Repair Fund	\$ 40,000
From the General Fund to the Brower Road Fund	6,850
From the General Fund to the Lakeview Drive Fund	1,750
From the General Fund to the Cliff Road Fund	6,250
From the General Fund to the Washington Avenue Sewer Fund	5,550
From the General Fund to the Parks and Recreation Fund	6,000
From the General Fund to the Road and Street Maintenance Reserve Fund	<u>80,000</u>
Total 2014 Transfers	<u>\$146,400</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

7. RETIREMENT SYSTEMS

The Village’s employees belong to the Ohio Public Employees Retirement System (OPERS), except for several Council members who have elected instead to pay into Social Security. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans’ benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, 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, 2014.

8. 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

VILLAGE OF NORTH BEND
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

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.

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, 2014, PEP retained \$350,000 for casualty claims and \$100,000 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 net position at December 31, 2013 and 2014:

	2013	2014
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	\$21,651,689	\$23,038,920

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$6,000.

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.

Contributions to PEP	
2013	2014
\$8,070	\$8,480

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.

VILLAGE OF NORTH BEND
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village 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. However, based on prior experience, management believes any refunds would be immaterial.

10. ADJUSTMENT TO PRIOR PERIOD BALANCES

An adjustment of previously reported fund type balances as of December 31, 2012 was necessary to properly classify expenses incurred related to property tax settlements applicable to the Life Squad Fund. Expenses of this fund had been incorrectly recorded in the General Fund. This correction had the following effects on the fund type cash balances:

	General <u>Fund</u>	Special Revenue <u>Fund Type</u>
Amounts previously recorded as of December 31, 2012	\$746,801	\$124,085
Reclassification of Water and Sewer System Improvement Fund	<u>12,730</u>	<u>(12,730)</u>
Restated amounts reported as of January 1, 2013	<u>\$759,531</u>	<u>\$111,355</u>

Bastin & Company, LLC
Certified Public Accountants

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

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

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 Village of North Bend, Hamilton County, Ohio, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated August 18, 2015 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. We also noted that cash balances by fund type have been restated to correct for prior year misstatements.

Internal Controls 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a 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. We consider finding 2014-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-02.

Entity's Response to Findings

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

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 communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
August 18, 2015

**VILLAGE OF NORTH BEND
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDING NUMBER 2014-01

Material Weakness - Financial Reporting

We identified misstatements in the financial statements that were not initially identified by the Village's internal control. Audit adjustments were necessary to correct errors in the Village's accounting system which provided information for the creation of the financial statements. In summary, the adjustments made are as follows:

- Audit adjustments from prior audit periods had not been recorded in the Villages accounting records requiring adjustments to properly report fund cash balances as of January 1, 2013 in various funds.
- In prior years, expenses deducted from the gross tax proceeds charged by Hamilton County for the Life Squad Special Revenue Fund were recorded as expenditures in the General Fund. An adjustment to balances previously reported in the Life Squad and General Fund totaling \$12,730 was necessary to properly report fund cash balances for these funds in order to correctly record expenses in the proper funds for prior years. Related expenditures recorded in 2014 and 2013 of \$923 and \$560, respectively, also required adjustment to record the related property tax collection expenses in the proper funds.
- Audit adjustments for 2014 and 2013 totaling \$33,469 and \$152,170, respectively, were necessary to record OPWC loan proceeds and capital related expenses as well as recording grant proceeds and expenditures for a CBDG grant awarded and administered by Hamilton County on behalf of the Village.
- Audit adjustments for 2013 totaling \$108,884 were necessary to properly classify receipts transactions initially recorded as property taxes, special assessments or charges for services to intergovernmental or other functional receipt line items.
- Audit adjustments for 2014 and 2013 totaling \$5,550 and \$7,389, respectively, were necessary to properly record principal and interest payments related to debt.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Village implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Village's Response

The Village will attempt to more closely monitor the recording of transactions in the future.

FINDING NUMBER 2014-02

Noncompliance - Certification of Fund Availability

Ohio Rev. Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal years 2014 and 2013, 30 percent of purchase orders tested were not properly certified prior to incurring the obligation. The transactions had no evidence of the above mentioned exceptions. Failure to properly certify the availability of funds and encumber appropriations can result in overspending of funds and negative cash balances. Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation. In the event that "Then and Now" certificates are used when the expenditure exceeds \$3,000 these certificates would need to be approved via a resolution by Council.

Village's Response

The Village will attempt to ensure certifications are properly performed in the future.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Audit adjustments for receipts and disbursements recorded incorrectly.	No	Reissued as Finding 2014-01.
2012-02	Posting of receipts for Building Deposit Agency Fund.	Yes	Condition not detected during current audit period.

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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
NOVEMBER 10, 2015**