

VILLAGE OF NORTH BEND
HAMILTON COUNTY

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**



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, 2015 through December 31, 2016. 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

June 14, 2017

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VILLAGE OF NORTH BEND
HAMILTON COUNTY

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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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of North Bend, Hamilton County, (the Village) as of and for the years ended December 31, 2016 and 2015.

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 opinions.

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

As described in Note 2 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, 2016 and 2015, 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, 2016 and 2015, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017, 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.



Cincinnati, Ohio
March 30, 2017

Village of North Bend
Hamilton 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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$ 281,695	\$ 88,346	\$ -	\$ 370,041
Intergovernmental	86,223	46,531	-	132,754
Fines, Licenses and Permits	27,219	-	-	27,219
Earnings on Investments	4	-	-	4
Miscellaneous	710	250	-	960
<i>Total Cash Receipts</i>	<u>395,851</u>	<u>135,127</u>	<u>-</u>	<u>530,978</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	116,181	79,963	-	196,144
Leisure Time Activities	688	-	-	688
Community Environment	9,159	-	-	9,159
Basic Utility Services	7,609	-	-	7,609
Transportation	-	136,486	20,905	157,391
General Government	153,639	903	-	154,542
Capital Outlay	-	714	-	714
Debt Service:				
Principal Retirement	-	-	17,119	17,119
<i>Total Cash Disbursements</i>	<u>287,276</u>	<u>218,066</u>	<u>38,024</u>	<u>543,366</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	108,575	(82,939)	(38,024)	(12,388)
Other Financing Receipts (Disbursements):				
Transfers-In	-	119,000	97,200	216,200
Transfers-Out	(216,200)	-	-	(216,200)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(216,200)</u>	<u>119,000</u>	<u>97,200</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(107,625)	36,061	59,176	(12,388)
<i>Fund Cash Balances, January 1</i>	<u>585,746</u>	<u>37,036</u>	<u>145,305</u>	<u>768,087</u>
Fund Cash Balances, December 31				
Restricted	-	73,097	-	73,097
Assigned	319,134	-	204,481	523,615
Unassigned	158,987	-	-	158,987
<i>Fund Cash Balances, December 31</i>	<u>\$ 478,121</u>	<u>\$ 73,097</u>	<u>\$ 204,481</u>	<u>\$ 755,699</u>

See accompanying notes to the basic financial statements

Village of North Bend
Hamilton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2016

	Fiduciary Fund Types
	Agency
Non-Operating Receipts	
Other Financing Sources	2,000
<i>Total Non-Operating Receipts</i>	2,000
Non-Operating Cash Disbursements:	
Other Financing Uses	4,000
<i>Total Non-Operating Disbursements</i>	4,000
<i>Net Change in Fund Cash Balances</i>	(2,000)
<i>Fund Cash Balances, January 1</i>	10,931
<i>Fund Cash Balances, December 31</i>	\$ 8,931

See accompanying notes to the basic financial statements

Village of North Bend
Hamilton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$ 291,245	\$ 88,526	\$ -	\$ 379,771
Intergovernmental	65,519	42,612	18,420	126,551
Fines, Licenses and Permits	41,219	-	-	41,219
Miscellaneous	9,929	-	-	9,929
<i>Total Cash Receipts</i>	<u>407,912</u>	<u>131,138</u>	<u>18,420</u>	<u>557,470</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	91,827	79,914	-	171,741
Leisure Time Activities	490	-	18,410	18,900
Community Environment	45,534	-	-	45,534
Basic Utility Services	6,951	-	-	6,951
Transportation	-	140,178	14,858	155,036
General Government	151,383	948	-	152,331
Capital Outlay	18,073	5,000	-	23,073
Debt Service:				
Principal Retirement	-	-	17,119	17,119
<i>Total Cash Disbursements</i>	<u>314,258</u>	<u>226,040</u>	<u>50,387</u>	<u>590,685</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	93,654	(94,902)	(31,967)	(33,215)
Other Financing Receipts (Disbursements):				
Transfers-In	-	100,000	97,200	197,200
Transfers-Out	(197,200)	-	-	(197,200)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(197,200)</u>	<u>100,000</u>	<u>97,200</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(103,546)	5,098	65,233	(33,215)
<i>Fund Cash Balances, January 1</i>	<u>689,292</u>	<u>31,938</u>	<u>80,072</u>	<u>801,302</u>
Fund Cash Balances, December 31				
Restricted	-	37,036	-	37,036
Assigned	245,897	-	145,305	391,202
Unassigned	339,849	-	-	339,849
<i>Fund Cash Balances, December 31</i>	<u>\$ 585,746</u>	<u>\$ 37,036</u>	<u>\$ 145,305</u>	<u>\$ 768,087</u>

See accompanying notes to the basic financial statements

Village of North Bend
Hamilton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2015

	Fiduciary Fund Types
	Agency
Non-Operating Receipts	
Other Financing Sources	6,000
<i>Total Non-Operating Receipts</i>	6,000
Non-Operating Cash Disbursements:	
Other Financing Uses	2,025
<i>Total Non-Operating Disbursements</i>	2,025
<i>Net Change in Fund Cash Balances</i>	3,975
<i>Fund Cash Balances, January 1</i>	6,956
<i>Fund Cash Balances, December 31</i>	\$ 10,931

See accompanying notes to the basic financial statements

VILLAGE OF NORTH BEND
Hamilton County, Ohio

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 1 – Reporting Entity

The Village of North Bend (the Village), Hamilton 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 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.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 7 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

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.

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 The Street Construction Maintenance and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

VILLAGE OF NORTH BEND
Hamilton County, Ohio

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

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 fund:

Road and Street Maintenance Fund – The Road and Street Maintenance Fund receives transfers from the General Fund to fund capital street improvements.

Fiduciary 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.

Basis of Accounting

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.

Budgetary Process

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

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.

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.

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 2016 and 2015 budgetary activity appears in Note 3.

VILLAGE OF NORTH BEND
Hamilton County, Ohio

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

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.

Capital Assets

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

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.

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

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.

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.

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

VILLAGE OF NORTH BEND
Hamilton County, Ohio

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$396,542	\$395,851	\$ (691)
Special Revenue	250,450	254,127	3,677
Capital Projects	97,200	97,200	-
Total	<u>\$ 744,192</u>	<u>\$ 747,178</u>	<u>\$ 2,986</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$642,439	\$538,868	\$ 103,571
Special Revenue	268,977	220,031	48,946
Capital Projects	242,342	38,024	204,318
Total	<u>\$ 1,153,758</u>	<u>\$ 796,923</u>	<u>\$ 356,835</u>

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$375,370	\$407,912	\$ 32,542
Special Revenue	232,450	231,138	(1,312)
Capital Projects	115,610	115,620	10
Total	<u>\$ 723,430</u>	<u>\$ 754,670</u>	<u>\$ 31,240</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$663,732	\$512,322	\$ 151,410
Special Revenue	252,182	227,568	24,614
Capital Projects	195,610	50,387	145,223
Total	<u>\$ 1,111,524</u>	<u>\$ 790,277</u>	<u>\$ 321,247</u>

Contrary to ORC Section 5705.41(D), the Village had disbursements without prior certification of availability.

VILLAGE OF NORTH BEND
Hamilton County, Ohio

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 4 – Deposits and Investments

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 and investments at December 31 was as follows:

	<u>2016</u>	<u>2015</u>
Demand deposits	<u>\$764,630</u>	<u>\$779,018</u>

Deposits

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

Note 5 – Property Taxes

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.

Note 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. 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 York. 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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

VILLAGE OF NORTH BEND
Hamilton County, Ohio

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$5,000.

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.

2016 Contributions to PEP
\$8,374

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.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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 2015 and 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.

VILLAGE OF NORTH BEND
Hamilton County, Ohio

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Social Security

Several of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit 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 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan #CB20N	\$ 34,049	0.00%
OPWC Loan #CB14N	31,172	0.00%
OPWC Loan #CB03O	27,750	0.00%
OPWC Loan #CB36P	40,956	0.00%
Total	<u>\$ 133,927</u>	

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 is being 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 is being 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 is being 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 is being repaid in semi-annual installments of \$1,170 over 20 years.

VILLAGE OF NORTH BEND
Hamilton County, Ohio

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OPWC #CB20N	OPWC #CB14N	OPWC #CB03O	OPWC #CB36P	Total
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	6,810	6,235	1,735	2,340	17,120
2021	6,809	6,234	1,734	2,340	17,117
2022-2026	-	-	8,672	11,702	20,374
2027-2031	-	-	8,672	11,702	20,374
2032-2034	-	-	1,734	5,852	7,586
Total	<u>\$ 34,049</u>	<u>\$ 31,172</u>	<u>\$ 27,750</u>	<u>\$ 40,956</u>	<u>\$ 133,927</u>

Note 10 – 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.

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 cash balances, receipts, and disbursements by fund type of the Village of North Bend, Hamilton County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated March 30, 2017 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 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.

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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-01 to be a material weakness.

Compliance and Other Matters

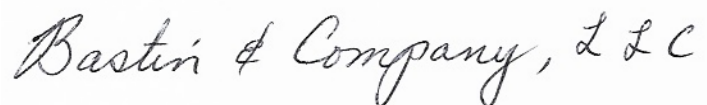
As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial 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 2016-02.

Village's Response to Findings

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

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
March 30, 2017

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDING NUMBER 2016-01

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 financial statements. The adjustments made are as follows:

- For 2016, audit adjustments totaling \$6,590 for the General Fund and \$903 for the Life Squad Fund, were necessary to properly record property tax receipts and related expenses at gross amounts. The Village had recorded net receipt amounts by offsetting related fees withheld from the gross amount of property tax settlements.
- For 2016 and 2015, audit reclassifications totaling \$55,269 and 54,962, respectively for the Street Construction And Maintenance Fund were made to properly classify expenditures as transportation related expenses. The Village had recorded amounts as security of persons and property related expenses.
- For 2015, adjustments were recorded to properly void three checks that were incorrectly recorded as expenditures and maintained as outstanding on the Village's bank reconciliations. As a result expenditures were reduced and the year end cash balance was increased by \$997 in the General Fund.
- The Village established a capital project type fund titled the Beautification Fund to account for transfers from the General Fund and to record expenditures that enhance the appearance of the Village's streets. Subsequent to year end 2016, the Village requested but was denied approval from the auditor of state to establish the Fund in accordance with Ohio Rev. Code §5705.12. As a result, adjustments have been made to the financial statements to eliminate the Beautification Fund and record it's activities in the General Fund. For 2016 and 2015, the Village had recorded transfers from the General Fund totaling \$5,869 and \$15,000, and expenditures in the Beautification Fund totaling \$8,409 and \$11,869, respectively.
- For 2016 and 2015, a portion of the General Fund's unassigned fund cash balance was reclassified to assigned fund balance in the amounts of \$283,742 and \$245,033, respectively. The reclassification was made to report the portion of year end fund cash balance that has been assigned to fund the subsequent year's appropriations in accordance with the requirements of GASB 54.

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 correct the recording of these items in the future.

FINDING NUMBER 2016-02

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 2016 and 2015, 22.5 percent of purchase orders tested were not properly certified prior to incurring the obligation.

Unless the exceptions noted above are used, prior certification is not only required by statute but 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 the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

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, 2016 AND 2015**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation
2014-01	Internal controls over financial reporting-audit adjustments.	No	Reissued as Finding 2016-01.
2014-02	Certification of expenditures noncompliance citation	No	Reissued as Finding 2016-02.



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
JUNE 27, 2017