

VILLAGE OF ST. BERNARD, OHIO

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2016**

Prepared by:
Peggy Brickweg
Village Auditor



Dave Yost • Auditor of State

Village Council
Village of St. Bernard
110 Washington Ave
St. Bernard, OH 45217

We have reviewed the *Independent Auditor's Report* of the Village of St. Bernard, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2016 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 St. Bernard 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 20, 2017

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VILLAGE OF ST. BERNARD, OHIO

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VILLAGE OF ST. BERNARD, OHIO

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INDEPENDENT AUDITOR'S REPORT

Village of St. Bernard
110 Washington Ave.
St. Bernard, Ohio 45217

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of St. Bernard (the Village), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of pension liabilities and pension contributions listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
June 29, 2017

VILLAGE OF ST. BERNARD, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2016*

Unaudited

The discussion and analysis of the Village of St. Bernard's financial performance provides an overall review of the Village's financial activities for the fiscal year ended December 31, 2016. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Village's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2016 are as follows:

- ❑ Net Position decreased \$759,689, which represents a 13.4% decrease from 2015.
- ❑ General revenues accounted for \$12 million in revenue or 89.4% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1.4 million or 10.6% of total revenues of \$13.4 million.
- ❑ The Village had \$14.2 million in expenses related to governmental activities; only \$1.4 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12 million and Net Position were adequate to provide for these programs.
- ❑ Among major funds, the General Fund had \$13.2 million in revenues and other financing sources and \$13.6 million in expenditures and other financing uses. The General Fund's fund balance decreased \$357,392 to \$3,314,871.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the Village:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the Village's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the Village, reporting the Village's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

VILLAGE OF ST. BERNARD, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2016*

Unaudited

Government-Wide Financial Statements

The government-wide statements report information about the Village as a whole using accepted methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Village's Net Position and how they have changed. Net Position (the difference between the Village's assets and deferred outflows of resources and liabilities and deferred inflows of resources) is one way to measure the Village's financial health or position.

- Over time, increases or decreases in the Village's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village you need to consider additional nonfinancial factors such as the Village's tax base and the condition of the Village's capital assets.

The government-wide financial statements of the Village reflect the following category of its activities:

- *Governmental Activities* – All of the Village's programs and services are reported here, including security of persons and property, public health and welfare services, leisure time activities, community environment, basic utility services, transportation, general government and other expenditures.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the Village's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Village's own programs. All of the Village's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position.

VILLAGE OF ST. BERNARD, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2016***

Unaudited

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The following table provides a comparison of the Village's Net Position as of December 31, 2016 and 2015:

	Governmental Activities	
	2016	Restated 2015
Current and other assets	\$14,199,618	\$15,335,519
Capital assets, Net	23,488,202	23,509,161
Total assets	<u>37,687,820</u>	<u>38,844,680</u>
Deferred Outflows of Resources	<u>3,477,063</u>	<u>1,403,570</u>
Net Pension Liability	13,108,352	10,578,485
Long-term debt outstanding	21,621,581	22,522,408
Other liabilities	<u>616,916</u>	<u>617,117</u>
Total liabilities	<u>35,346,849</u>	<u>33,718,010</u>
Deferred Inflows of Resources	<u>903,729</u>	<u>856,246</u>
Net position		
Net investment in capital assets	3,526,472	3,992,659
Net investment in assets held for resale	5,388,906	5,352,366
Restricted	2,369,180	1,891,619
Unrestricted	<u>(6,370,253)</u>	<u>(5,562,650)</u>
Total net position	<u><u>\$4,914,305</u></u>	<u><u>\$5,673,994</u></u>

The adoption of GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Village's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

VILLAGE OF ST. BERNARD, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2016*

Unaudited

Under the new standards required by GASB 68, the net pension liability equals the Village's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Village is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Village's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

VILLAGE OF ST. BERNARD, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Unaudited

Changes in Net Position – The following table shows the changes in Net Position for the fiscal year 2016 and 2015:

	Governmental Activities	
	2016	2015
Revenues		
Program revenues:		
Charges for Services and Sales	\$818,658	\$1,090,478
Operating Grants and Contributions	229,987	215,395
Capital Grants and Contributions	378,132	0
General revenues:		
Municipal Income Taxes	10,362,254	10,309,418
Property Taxes	843,386	1,007,048
Grants and Entitlements not Restricted to Specific Programs	477,409	502,784
Investment Earnings	29,310	20,993
Miscellaneous	275,913	52,246
Total revenues	<u>13,415,049</u>	<u>13,198,362</u>
Program Expenses		
Security of Persons and Property	5,684,383	5,848,256
Public Health and Welfare Services	56,009	54,387
Leisure Time Activities	455,788	414,260
Community Environment	309,578	210,835
Transportation	1,309,499	2,969,066
General Government	3,998,126	4,060,457
Other Expenditures	1,659,408	1,789,243
Interest and Fiscal Charges	701,947	724,782
Total expenses	<u>14,174,738</u>	<u>16,071,286</u>
Total Change in Net Position	(759,689)	(2,872,924)
Beginning Net Position, Restated	<u>5,673,994</u>	<u>8,546,918</u>
Ending Net Position	<u>\$4,914,305</u>	<u>\$5,673,994</u>

VILLAGE OF ST. BERNARD, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2016*

Unaudited

Governmental Activities

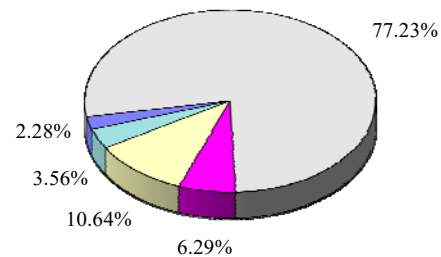
Net Position of the Village's governmental activities decreased \$759,869. This decrease can mostly be attributed to expenditures outpacing revenues in 2016.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

The Village also receives an income tax. The income tax is based on 2.1% of all salaries, wages, commissions and other compensation and on net profits earned within the Village as well as on income of residents earned outside the Village.

Municipal income taxes and property taxes made up 77.23% and 6.29% respectively of revenues for governmental activities for the Village in fiscal year 2016. The Village's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2016	Percent of Total
Municipal Income Taxes	\$10,362,254	77.23%
Property Taxes	843,386	6.29%
Program Revenues	1,426,777	10.64%
Grants and Entitlements	477,409	3.56%
General Other	305,223	2.28%
Total Revenue	<u>\$13,415,049</u>	<u>100.00%</u>



VILLAGE OF ST. BERNARD, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Unaudited

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The Village's governmental funds reported a combined fund balance of \$11,071,623, which is a decrease from last year's balance of \$11,978,022. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2016 and 2015:

	Fund Balance December 31, 2016	Fund Balance December 31, 2015	Increase (Decrease)
General	\$3,314,871	\$3,672,263	(\$357,392)
Community Improvement Corporation	5,482,909	5,601,524	(118,615)
General Bond Retirement	433,537	431,371	2,166
Other Governmental	1,840,306	2,272,864	(432,558)
Total	\$11,071,623	\$11,978,022	(\$906,399)

General Fund – The Village's General Fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2016 Revenues	2015 Revenues	Increase (Decrease)
Taxes	\$11,394,722	\$11,533,559	(\$138,837)
Intergovernmental Revenues	831,811	490,210	341,601
Charges for Services	221,689	264,775	(43,086)
Licenses and Permits	23,043	35,398	(12,355)
Investment Earnings	29,095	20,862	8,233
Fines and Forfeitures	42,771	39,723	3,048
All Other Revenue	613,215	571,231	41,984
Total	\$13,156,346	\$12,955,758	\$200,588

General Fund revenues in 2016 increased 1.5% compared to revenues in fiscal year 2015. This can mostly be attributed to an increase in intergovernmental revenue covering decreases in other revenue categories.

	2016 Expenditures	2015 Expenditures	Increase (Decrease)
Security of Persons and Property	\$5,126,851	\$4,952,172	\$174,679
Public Health and Welfare Services	56,009	54,387	1,622
Leisure Time Activities	113,511	99,484	14,027
Transportation	509,249	82,791	426,458
General Government	3,524,269	3,708,590	(184,321)
Other Expenditures	1,659,408	1,789,243	(129,835)
Debt Service:			
Principal Retirement	0	21,750	(21,750)
Interest and Fiscal Charges	0	2,249	(2,249)
Total	\$10,989,297	\$10,710,666	\$278,631

VILLAGE OF ST. BERNARD, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2016***

Unaudited

General Fund expenditures increased \$278,631 over the prior year due mainly to increased costs associated with the Transportation expenditures.

The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2016 the Village amended its General Fund budget several times.

For the General Fund, actual budget basis revenues were lower than final estimates due primarily to lower than anticipated intergovernmental revenues. Final budgeted expenditures increased by \$4.1 million versus original budget to account for transfers out. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016 the Village had \$23,488,202 net of accumulated depreciation invested in land, land improvements, buildings and improvements, infrastructure, and machinery and equipment. The following table shows fiscal year 2016 and 2015 balances:

	Governmental Activities		Increase (Decrease)
	2016	Restated 2015	
Land	\$1,768,505	\$1,528,745	\$239,760
Land Improvements	3,944,710	4,007,330	(62,620)
Buildings and Improvements	13,082,390	13,082,390	0
Infrastructure	18,004,188	17,338,368	665,820
Machinery and Equipment	4,747,584	4,442,265	305,319
Less: Accumulated Depreciation	(18,059,175)	(16,889,937)	(1,169,238)
Totals	<u>\$23,488,202</u>	<u>\$23,509,161</u>	<u>(\$20,959)</u>

The overall net change in capital assets is a result of additions to land, infrastructure and machinery and equipment. Additional information on the Village's capital assets can be found in Note 9.

VILLAGE OF ST. BERNARD, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Unaudited

Debt

At December 31, 2016, the Village had \$19,201,206 in bonds outstanding, \$723,281 due within one year. The following table summarizes the Village's debt outstanding as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Governmental Activities:		
General Obligation Bonds	\$19,201,206	\$19,909,487
Capital Leases Payable	229,104	301,482
Ohio Public Works Commission Loans	383,408	359,870
Police/Fire Accrued Pension	643,209	665,791
Net Pension Liability	13,108,352	10,578,485
Compensated Absences	1,164,654	1,285,778
Total Governmental Activities	<u>\$34,729,933</u>	<u>\$33,100,893</u>

Additional information on the Village's long-term debt can be found in Note 14.

ECONOMIC FACTORS

The preceding financial information reflects that with the lower property tax values and the decline in local government funds the Village still remains heavily dependent on its local earnings tax and property taxes. The Village is continuing to work with the Ohio EPA to address all issues related to the Bank Ave. litigation and remains positive everything will be addressed.

The Village's goal is to continue to offer outstanding services to its residents and businesses while upgrading housing stock and moving forward with major projects. With careful planning and monitoring of the Village's finances, management is confident that current and future funding challenges can be overcome and quality services will continue to be provided to the people and businesses of St. Bernard.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information contact Peggy Brickweg, Village Auditor of the Village of St. Bernard.

VILLAGE OF ST. BERNARD, OHIO

Statement of Net Position *December 31, 2016*

	Governmental Activities
Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 4,732,544
Cash and Cash Equivalents with Fiscal Agent	276,941
Receivables:	
Taxes	3,427,875
Accounts	25,260
Intergovernmental	187,947
Interest	2,619
Forgivable Loan Receivable	54,000
Inventory of Supplies at Cost	49,075
Assets Held for Resale	5,388,906
Prepaid Items	47,765
Restricted Assets:	
Cash and Cash Equivalents	6,686
Capital Assets:	
Capital Assets Not Being Depreciated	1,768,505
Capital Assets Being Depreciated, Net	21,719,697
Total Assets	37,687,820
Deferred Outflows of Resources:	
Pension	3,477,063
Liabilities:	
Accounts Payable	31,258
Accrued Wages and Benefits	224,901
Intergovernmental Payable	101,747
Claims Payable	189,134
Accrued Liabilities	1,000
Accrued Interest Payable	68,876
Noncurrent liabilities:	
Due within one year	1,012,705
Due in more than one year:	
Net Pension Liability	13,108,352
Other Amounts Due in More Than One Year	20,608,876
Total Liabilities	35,346,849
Deferred Inflows of Resources:	
Property Tax Levy for Next Year	819,106
Pension	84,623
Total Deferred Inflows of Resources	903,729
Net Position:	
Net Investment in Capital Assets	3,526,472
Net Investment in Assets Held for Resale	5,388,906
Restricted For:	
Capital Projects	681,727
Debt Service	364,661
Other Purposes	1,322,792
Unrestricted	(6,370,253)
Total Net Position	\$ 4,914,305

See accompanying notes to the basic financial statements

VILLAGE OF ST. BERNARD, OHIO

Statement of Activities For the Year Ended December 31, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Security of Persons and Property	\$ 5,684,383	\$ 168,198	\$ 0	\$ 0	\$ (5,516,185)
Public Health and Welfare Services	56,009	0	0	0	(56,009)
Leisure Time Activities	455,788	70,213	0	0	(385,575)
Community Environment	309,578	153,787	0	36,540	(119,251)
Transportation	1,309,499	9,290	229,987	341,592	(728,630)
General Government	3,998,126	97,777	0	0	(3,900,349)
Other Expenditures	1,659,408	319,393	0	0	(1,340,015)
Interest and Fiscal Charges	701,947	0	0	0	(701,947)
Totals	\$ 14,174,738	\$ 818,658	\$ 229,987	\$ 378,132	(12,747,961)
General Revenues					
Municipal Income Taxes					10,362,254
Property Taxes					843,386
Grants and Entitlements not Restricted to Specific Programs					477,409
Investment Earnings					29,310
Miscellaneous					275,913
Total General Revenues					11,988,272
Change in Net Position					(759,689)
Net Position Beginning of Year, Restated					5,673,994
Net Position End of Year					\$ 4,914,305

See accompanying notes to the basic financial statements

VILLAGE OF ST. BERNARD, OHIO

Balance Sheet
Governmental Funds
December 31, 2016

	General	Community Improvement Corporation	General Bond Retirement	Other Governmental Funds
Assets:				
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 2,701,929	\$ 131,398	\$ 334,052	\$ 1,565,165
Cash and Cash Equivalents with Fiscal Agent	0	0	99,485	177,456
Taxes	3,382,669	0	0	45,206
Accounts	24,870	0	0	390
Intergovernmental	85,931	0	0	102,016
Interest	2,619	0	0	0
Forgivable Loan Receivable	0	54,000	0	0
Inventory of Supplies, at Cost	49,075	0	0	0
Assets Held for Resale	0	5,388,906	0	0
Prepaid Items	47,765	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	6,686	0	0	0
Advance to Other Funds	0	0	0	90,000
Total Assets	\$ 6,301,544	\$ 5,574,304	\$ 433,537	\$ 1,980,233
Liabilities:				
Accounts Payable	\$ 30,863	\$ 395	\$ 0	\$ 0
Accrued Wages and Benefits Payable	215,807	0	0	9,094
Intergovernmental Payable	84,694	0	0	17,053
Claims Payable	189,134	0	0	0
Accrued Liabilities	0	1,000	0	0
Advances from Other Funds	0	90,000	0	0
Total Liabilities	520,498	91,395	0	26,147
Deferred Inflows of Resources:				
Unavailable Amounts	1,690,639	0	0	70,210
Property Tax Levy for Next Fiscal Year	775,536	0	0	43,570
Total Deferred Inflows of Resources	2,466,175	0	0	113,780
Fund Balances:				
Nonspendable	96,840	0	0	0
Restricted	0	5,482,909	433,537	1,729,947
Committed	0	0	0	110,359
Assigned	154,656	0	0	0
Unassigned	3,063,375	0	0	0
Total Fund Balances	3,314,871	5,482,909	433,537	1,840,306
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,301,544	\$ 5,574,304	\$ 433,537	\$ 1,980,233

See accompanying notes to the basic financial statements

VILLAGE OF ST. BERNARD, OHIO

Total Governmental Funds
\$ 4,732,544
276,941
3,427,875
25,260
187,947
2,619
54,000
49,075
5,388,906
47,765
6,686
90,000
<u>\$ 14,289,618</u>
\$ 31,258
224,901
101,747
189,134
1,000
90,000
<u>638,040</u>
1,760,849
819,106
<u>2,579,955</u>
96,840
7,646,393
110,359
154,656
3,063,375
<u>11,071,623</u>
<u>\$ 14,289,618</u>

VILLAGE OF ST. BERNARD, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2016***

Total Governmental Fund Balances	\$ 11,071,623
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	23,488,202
Other long-term assets are not available to pay for current- period expenditures and therefore are reported as deferred inflows of resources in the funds.	1,760,849
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.	(9,715,912)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Ohio Public Works Commission Loans Payable	(383,408)
General Obligation Bonds Payable	(19,201,206)
Police/Fire Accrued Pension Liability	(643,209)
Capital Lease Payable	(229,104)
Compensated Absences Payable	(1,164,654)
Accrued Interest Payable	(68,876)
	<u>(21,690,457)</u>
 <i>Net Position of Governmental Activities</i>	 <u>\$ 4,914,305</u>

See accompanying notes to the basic financial statements

VILLAGE OF ST. BERNARD, OHIO

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VILLAGE OF ST. BERNARD, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2016

	General	Community Improvement Corporation	General Bond Retirement	Other Governmental Funds
Revenues:				
Taxes	\$ 11,394,722	\$ 0	\$ 0	\$ 45,616
Intergovernmental Revenues	831,811	36,540	0	214,003
Charges for Services	221,689	153,787	0	34,440
Licenses and Permits	23,043	0	0	0
Investment Earnings	29,095	636	0	89
Fines and Forfeitures	42,771	0	0	5,626
All Other Revenue	613,215	0	0	0
Total Revenue	<u>13,156,346</u>	<u>190,963</u>	<u>0</u>	<u>299,774</u>
Expenditures:				
Current:				
Security of Persons and Property	5,126,851	0	0	9,426
Public Health and Welfare Services	56,009	0	0	0
Leisure Time Activities	113,511	0	0	127,746
Community Environment	0	309,578	0	0
Transportation	509,249	0	0	203,675
General Government	3,524,269	0	0	0
Other Expenditures	1,659,408	0	0	0
Capital Outlay	0	0	0	1,456,485
Debt Service:				
Principal Retirement	0	0	760,110	2,591
Interest & Fiscal Charges	0	0	737,724	485
Total Expenditures	<u>10,989,297</u>	<u>309,578</u>	<u>1,497,834</u>	<u>1,800,408</u>
Excess (Deficiency) of Revenues Over Expenditures	2,167,049	(118,615)	(1,497,834)	(1,500,634)
Other Financing Sources (Uses):				
Sale of Capital Assets	5,791	0	0	0
OPWC Loan Initiated	38,861	0	0	0
Transfers In	0	0	1,500,000	1,068,076
Transfers Out	(2,568,076)	0	0	0
Total Other Financing Sources (Uses)	<u>(2,523,424)</u>	<u>0</u>	<u>1,500,000</u>	<u>1,068,076</u>
Net Change in Fund Balances	(356,375)	(118,615)	2,166	(432,558)
Fund Balances at Beginning of Year	3,672,263	5,601,524	431,371	2,272,864
Change in Inventory Reserve	(1,017)	0	0	0
Fund Balances End of Year	<u>\$ 3,314,871</u>	<u>\$ 5,482,909</u>	<u>\$ 433,537</u>	<u>\$ 1,840,306</u>

See accompanying notes to the basic financial statements

VILLAGE OF ST. BERNARD, OHIO

Total Governmental Funds
\$ 11,440,338
1,082,354
409,916
23,043
29,820
48,397
613,215
<u>13,647,083</u>
5,136,277
56,009
241,257
309,578
712,924
3,524,269
1,659,408
1,456,485
762,701
738,209
<u>14,597,117</u>
(950,034)
5,791
38,861
2,568,076
<u>(2,568,076)</u>
<u>44,652</u>
(905,382)
11,978,022
(1,017)
<u>\$ 11,071,623</u>

VILLAGE OF ST. BERNARD, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended December 31, 2016***

Net Change in Fund Balances - Total Governmental Funds \$ (905,382)

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	1,221,139	
Depreciation Expense	<u>(1,229,427)</u>	(8,288)

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals) is to decrease net position. (12,671)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (232,034)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 963,718

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,467,823)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. (38,861)

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bond Principal Payment	675,000	
Amortization of General Obligation Bond Premium	33,281	
Ohio Public Works Commission Loan Principal Payment	15,323	
Capital Lease Principal Payment	<u>72,378</u>	795,982

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 2,981

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	121,124	
Police/Fire Accrued Pension Payment	22,582	
Change in Inventory	<u>(1,017)</u>	<u>142,689</u>

Change in Net Position of Governmental Activities **\$ (759,689)**

See accompanying notes to the basic financial statements

VILLAGE OF ST. BERNARD, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 11,305,037	\$ 11,151,061	\$ 11,220,101	\$ 69,040
Intergovernmental Revenues	424,632	569,825	490,529	(79,296)
Charges for Services	226,762	233,504	231,941	(1,563)
Licenses and Permits	48,585	51,282	23,043	(28,239)
Investment Earnings	15,024	15,049	13,740	(1,309)
Fines and Forfeitures	57,013	57,028	42,286	(14,742)
All Other Revenues	150,162	643,948	649,522	5,574
Total Revenues	<u>12,227,215</u>	<u>12,721,697</u>	<u>12,671,162</u>	<u>(50,535)</u>
Expenditures:				
Current:				
Security of Persons and Property	5,077,638	5,193,100	5,113,534	79,566
Public Health and Welfare Services	60,781	59,506	55,115	4,391
Leisure Time Activities	146,972	150,141	119,078	31,063
Transportation	143,728	135,728	128,133	7,595
General Government	4,223,410	3,932,987	3,606,263	326,724
Other Expenditures	1,076,000	1,726,000	1,618,812	107,188
Total Expenditures	<u>10,728,529</u>	<u>11,197,462</u>	<u>10,640,935</u>	<u>556,527</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,498,686	1,524,235	2,030,227	505,992
Other Financing Sources (Uses):				
Sale of Capital Assets	2,785	5,690	5,791	101
Transfers In	1,076,000	1,076,000	1,076,000	0
Transfers Out	0	(3,694,076)	(3,694,076)	0
Total Other Financing Sources (Uses):	<u>1,078,785</u>	<u>(2,612,386)</u>	<u>(2,612,285)</u>	<u>101</u>
Net Change in Fund Balance	2,577,471	(1,088,151)	(582,058)	506,093
Fund Balance at Beginning of Year	2,864,592	2,864,592	2,864,592	0
Prior Year Encumbrances	251,435	251,435	251,435	0
Fund Balance at End of Year	<u>\$ 5,693,498</u>	<u>\$ 2,027,876</u>	<u>\$ 2,533,969</u>	<u>\$ 506,093</u>

See accompanying notes to the basic financial statements

VILLAGE OF ST. BERNARD, OHIO

Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2016

	<u>Agency Funds</u>
Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 15,941
Total Assets	<u>15,941</u>
Liabilities:	
Due to Others	15,941
Total Liabilities	<u>\$ 15,941</u>

See accompanying notes to the basic financial statements

VILLAGE OF ST. BERNARD, OHIO

***Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended December 31, 2016***

	<u>Private Purpose Trust Fund</u>
Additions:	
Contributions:	
Donations from the Village	\$ 50,000
Total Additions	<u>50,000</u>
Deductions:	
Administrative Expenses	<u>50,000</u>
Total Deductions	<u>50,000</u>
Change in Net Position	0
Net Position at Beginning of Year	<u>0</u>
Net Position End of Year	<u><u>\$ 0</u></u>

See accompanying notes to the basic financial statements

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of St. Bernard, Ohio (the "Village") was incorporated as a village in 1878 and became a Village in 1912. The Village is a charter municipal corporation under the laws of the State of Ohio and operates under a Council-Mayor form of government.

The accompanying basic financial statements of the Village present the financial position of the various fund types, and the results of operations of the various fund types. The financial statements are presented as of December 31, 2016 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 61 *"The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34,"* in that the financial statements include all organizations, activities, functions and component units for which the Village (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the Village's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the Village.

The Community Improvement Corporation of St. Bernard (CIC), a non-profit organization, is an eleven-member board comprised of one Village official, three elected officials, five community representatives and two non-resident business advisors. Although it is legally separate from the Village, the CIC is reported as if it were part of the primary government because the Village can impose its will on the CIC. The CIC is responsible for research and development of the Village, including the assurance that mortgage payments will be made to foster such development, the acquisition, construction, equipment and improvement of buildings, structures and other properties, the acquisition of sites for such development, the lease, sale and subdivision of such sites and incurring of debt in order to carry out such development, and to make loans to any individual or business entity in order to carry out such development purpose for the Village. Funding to finance the CIC comes from the sale of properties owned by the CIC and contributions from the Village and private sources.

The Village of St. Bernard Mayor's Court is included in the reporting entity because it is not legally separate.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The Village uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Village functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following fund types are used by the Village:

Governmental Funds

The governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use and balances of the Village's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of "Flow of Current Financial Resources." With this measurement focus, only current assets and current liabilities and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The following are the Village's major governmental funds:

General Fund - This fund is used to account for all financial resources except those accounted for 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.

Community Improvement Corporation Fund – This fund is used to account for the financial activities of the CIC of Saint Bernard.

General Bond Retirement Fund - This fund is used to account for financial resources to be used for the retirement of the Village's long-term obligations.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on Net Position and changes in Net Position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Fiduciary funds are used to account for assets the Village holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The Village's fiduciary funds are a Private-Purpose Trust Fund and agency funds. The Village's Private Purpose Trust Fund accounts for monies held in trust for retired employees of the Village. The Village's agency funds account for monies held for hall rentals, building permit fees, and the Mayor's Court. The agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. The governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Village's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Village, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Village.

Fund Financial Statements – Fund financial statements report detailed information about the Village. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "measurable" means that the amount of the transaction can be determined. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the Village is considered to be 60 days after year-end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

The accrual basis of accounting is utilized for reporting purposes by the governmental activities and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Non-exchange transactions, in which the Village receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Village must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Village on a reimbursement basis.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Revenue considered susceptible to accrual at year-end includes income taxes withheld by employers, property taxes, interest on investments and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, is recorded as revenue when received in cash because generally this revenue is not measurable until received.

Property taxes measurable as of December 31, 2016, but not received within the available period are recorded as deferred inflows of resources as these resources are not intended to pay liabilities of the current period. Delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources.

The Village reports deferred inflows of resources in its balance sheet. Deferred inflows of resources arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred inflows of resources is removed from the combined balance sheet and revenue is recognized.

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources as certified.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. Since the Community Improvement Corporation is a legally separate entity it is not part of the Village's budget, therefore no budgetary statement is presented. The legal level of budgetary control for each fund is at the object level within each department. Budgetary modifications may only be made by ordinance of the Village Council.

1. Tax Budget

By July 15, the Village Finance Committee and Auditor submit an annual tax budget for the following fiscal year to Village Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

VILLAGE OF ST. BERNARD, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. By October 1 of each year, the Village accepts by resolution the tax rates as determined by the Budget Commission. As part of the certification process, the Village receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2016.

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VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level, and may be modified during the year by an ordinance of the Village Council. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The Village's budgetary process accounts for the Village's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis).

VILLAGE OF ST. BERNARD, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the “Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual” for the General Fund:

Net Change in Fund Balance	General Fund
GAAP Basis (as reported)	(\$356,375)
Increase (Decrease):	
Accrued Revenues at December 31, 2016 received during 2017	(1,049,904)
Accrued Revenues at December 31, 2015 received during 2016	909,311
Accrued Expenditures at December 31, 2016 paid during 2017	520,498
Accrued Expenditures at December 31, 2015 paid during 2016	(451,848)
2015 Prepays for 2016	48,681
2016 Prepays for 2017	(47,765)
Outstanding Encumbrances	(154,656)
Budget Basis	(\$582,058)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and the State Treasurer's Asset Reserve (STAR Ohio). STAR Ohio is considered a cash equivalent because it is a highly liquid investment with an original maturity date of three months or less.

The Village pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and cash equivalents represents the balance on hand as if each fund maintained its own cash and cash equivalent account.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution, the Ohio Revised Code, and the Village's Investment Policies. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the Village records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 5, "Cash, Cash Equivalents and Investments."

The Village's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the Village. The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

I. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased.

VILLAGE OF ST. BERNARD, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

Capital assets are defined by the Village as assets with an initial, individual cost of more than \$500.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost. The capital asset values were initially determined by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated capital assets are capitalized at fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized. These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

2. Depreciation

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (in years)
Land Improvements	20 - 40
Buildings and Improvements	10 - 45
Infrastructure	20 - 50
Machinery and Equipment	5 - 20

K. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Compensated Absences	General Fund Street Maintenance Fund Master Plan Capital Improvement Fund
General Obligation Bonds	General Bond Retirement Fund
Accrued Pension Liability	General Fund
Capital Leases	General Bond Retirement Fund
Ohio Public Works	Storm Sewer Improvement Fund
Commission Loans	General Bond Retirement Fund

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on 95% of the leave balances accumulated by employees who have ten years or more of service time with the Village. These employees are expected to become eligible in the future to receive such payments.

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable available financial resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of Net Position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

M. Net Position

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net Position – net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Village applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Intergovernmental Revenues

In governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, and shared revenues are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursable grants are recorded as intergovernmental receivables and revenues when the related expenditures are made.

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Q. Interfund Assets/Liabilities

Receivables and payables arising between funds for goods provided or services rendered are classified as "Due From/To Other Funds" on the balance sheet. Short-term interfund loans are classified as "Interfund Receivables/Payables," while long-term interfund loans are classified as "Interfund Loan Receivable/Payable."

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

S. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Village is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Fund Balances (Continued)

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Village to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Village's highest level of decision making authority. For the Village, these constraints consist of ordinances and resolutions passed by Village Council. Committed amounts cannot be used for any other purpose unless the Village removes or changes the specified use by taking the same type of action (ordinance, resolution) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

T. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. For the Village, deferred outflows of resources are reported for pension amounts (See Note 10). The amounts are reported in the government-wide statement of net position.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, income taxes and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. See Note 10.

U. Fair Market Value

The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

A. Change in Accounting Principle

For fiscal year 2016, the Village has implemented GASB Statement No. 72, “Fair Value Measurement and Application”, GASB Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”, GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, GASB Statement No. 77 “Tax Abatement Disclosures” and GASB Statement No. 79, “Certain External Investment Pools and Pool Participants”.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Village.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Village.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Village.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. These changes were incorporated in the Village's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Village.

VILLAGE OF ST. BERNARD, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION (Continued)

B. Restatement of Net Position

The Village has restated balances previously reported to correct errors in the reporting of the value of Non-depreciable Capital Assets. The corrections had the following effect on net position as reported December 31, 2015:

	Governmental Activities
Net Position December 31, 2015	\$10,516,172
Adjustments:	
Capital Assets Not Being Depreciated	(4,842,178)
Restated Net Position December 31, 2015	\$5,673,994

NOTE 3 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, assigned, and unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Community Improvement Corporation Fund	General Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Supplies Inventory	\$49,075	\$0	\$0	\$0	\$49,075
Prepaid Items	47,765	0	0	0	47,765
Total Nonspendable	96,840	0	0	0	96,840
Restricted:					
Community Environment	0	5,482,909	0	312,482	5,795,391
Security of Persons	0	0	0	333,438	333,438
Court Improvements	0	0	0	9,935	9,935
Street Improvements	0	0	0	392,369	392,369
Debt Service	0	0	433,537	0	433,537
Capital Improvements	0	0	0	681,723	681,723
Total Restricted	0	5,482,909	433,537	1,729,947	7,646,393
Committed:					
Swimming Pool Operations	0	0	0	110,355	110,355
Capital Improvements	0	0	0	4	4
Total Committed	0	0	0	110,359	110,359
Assigned:					
Goods and Services	154,656	0	0	0	154,656
Unassigned (Deficits):	3,063,375	0	0	0	3,063,375
Total Fund Balances	\$3,314,871	\$5,482,909	\$433,537	\$1,840,306	\$11,071,623

VILLAGE OF ST. BERNARD, OHIO

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2016*

NOTE 4 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and Net Position of governmental funds as reported in the government-wide statement of Net Position. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Other long-term assets not available to pay for current-period expenditures:

Deferred Tax Revenue	\$1,624,098
Deferred Investment Earnings	1,058
Intergovernmental Revenue Receivable	135,693
	<u>\$1,760,849</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in Net Position of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Governmental revenues not reported in the funds:

Decrease in Deferred Tax Revenue	(\$234,698)
Decrease in Deferred Investment Earnings	(510)
Increase in Intergovernmental Revenue	3,174
	<u>(\$232,034)</u>

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 5 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the Village into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the Village. Such funds must be maintained either as cash in the Village Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio):

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of Village cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Village places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the Village's deposits was \$1,797,546 and the bank balance was \$2,259,614. Federal depository insurance covered \$349,485 of the bank balance and \$1,910,129 was uninsured. Of the remaining uninsured bank balance, the Village was exposed to custodial risk as follows:

	Balance
Uninsured and collateralized with securities held by the pledging institution's Trust Department not in the Village's name.	\$1,910,129
Total Balance	\$1,910,129

B. Investments

The Village's investments at December 31, 2016 were as follows:

	Fair Value	Credit Rating	Fair Value Hierarchy	Investment Maturities (in Years)	
				less than 1	1-3
Negotiable C/D's	\$515,000	N/A	Level 2	\$365,000	\$150,000
FHLMC	500,000	AAA ¹ / Aaa ²	Level 2	500,000	0
STAR Ohio	2,219,566	AAAm ¹	N/A *	2,219,566	0
Total Investments	\$3,234,566			\$3,084,566	\$150,000

¹ Standard & Poor's

² Moody's Investor Service

* STAR Ohio is reported at its share price (Net Asset Value (NAV) per share).

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date, the Village has no policy beyond what Ohio Revised Code requires.

Concentration of Credit Risk – The Village places no limit on the amount the Village may invest in one issuer. Of the Village's total investments 15.9% are Negotiable Certificates of Deposit, 15.5% are FHLMC and 68.6% are STAR Ohio.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Village has no policy beyond what Ohio Revised Code requires for custodial credit risk.

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property and located in the Village. Real property taxes (other than public utility) collected during 2016 were levied after October 1, 2015 on assessed values as of January 1, 2015, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last reappraisal was completed in 2011 and the last year of the equalization adjustment was 2015. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as the real property taxes described previously.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 6 – TAXES (Continued)

A. Property Taxes (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the Village of St. Bernard. The County Auditor periodically remits to the Village its portion of the taxes collected.

The full tax rate for all Village operations for the year ended December 31, 2016 was \$11.28 per \$1,000 of assessed value. The assessed value on which the 2016 levy was based was \$78,237,180. This amount constitutes \$73,890,090 in real property assessed value and \$4,347,090 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the Village's share is 1.128% (11.28 mills) of assessed value.

B. Income Tax

The Village levies a tax of 2.1% on all salaries, wages, commissions and other compensation and on net profits earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of up to 2.1% of the tax paid to another municipality.

Employers within the Village are required to withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2016, consisted of taxes, interest, accounts receivable, forgivable loans and intergovernmental receivables arising from shared revenues. All receivables are considered collectible in full. Those receivables that relate to amounts not intended to finance the current fiscal year are offset by deferred inflows of resources.

VILLAGE OF ST. BERNARD, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 8 – TRANSFERS AND ADVANCES

Following is a summary of transfers in and out for all funds for 2016:

Fund	Transfers In	Transfers Out
General Fund	\$0	\$2,568,076
General Bond Retirement Fund	1,500,000	0
Other Governmental Funds	1,068,076	0
Totals	\$2,568,076	\$2,568,076

Fund	Advances to Other Funds	Advances from Other Funds
Community Improvement Corporation Fund	\$0	\$90,000
Other Governmental Funds	90,000	0
Totals	\$90,000	\$90,000

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets.

During the 2015 the Master Plan Capital Improvement Fund advanced the Community Improvement Corporation \$90,000 to help subsidize the CIC's operations.

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VILLAGE OF ST. BERNARD, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 9 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at December 31, 2016:

<i>Historical Cost:</i>	Restated December 31, 2015	Additions	Deletions	December 31, 2016
Class				
<i>Capital assets not being depreciated:</i>				
Land	\$1,528,745	\$250,000	(\$10,240)	\$1,768,505
<i>Capital assets being depreciated:</i>				
Land Improvements	4,007,330	0	(62,620)	3,944,710
Buildings and Improvements	13,082,390	0	0	13,082,390
Infrastructure	17,338,368	665,820	0	18,004,188
Machinery and Equipment	4,442,265	305,319	0	4,747,584
Total Cost	<u>\$40,399,098</u>	<u>\$1,221,139</u>	<u>(\$72,860)</u>	<u>\$41,547,377</u>
 <i>Accumulated Depreciation:</i>				
Class	Restated December 31, 2015	Additions	Deletions	December 31, 2016
Land Improvements	(\$2,628,909)	(\$193,614)	\$60,189	(\$2,762,334)
Buildings and Improvements	(1,803,972)	(252,456)	0	(2,056,428)
Infrastructure	(9,288,224)	(480,642)	0	(9,768,866)
Machinery and Equipment	(3,168,832)	(302,715)	0	(3,471,547)
Total Depreciation	<u>(\$16,889,937)</u>	<u>(\$1,229,427) *</u>	<u>\$60,189</u>	<u>(\$18,059,175)</u>
<i>Net Value:</i>	<u>\$23,509,161</u>			<u>\$23,488,202</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$200,973
Leisure Time Activities	180,062
Transportation	500,723
General Government	347,669
Total Depreciation Expense	<u>\$1,229,427</u>

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Village's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Village's obligation for this liability to annually required payments. The Village cannot control benefit terms or the manner in which pensions are financed; however, the Village does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Village employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

VILLAGE OF ST. BERNARD, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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VILLAGE OF ST. BERNARD, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$255,627 for 2016.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

VILLAGE OF ST. BERNARD, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2016 through December 31, 2016	12.25 %	12.25 %
2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2016 through December 31, 2016	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$708,091 for 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The Village's proportion of the net pension liability was based on the Village's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,895,412	\$10,212,940	\$13,108,352
Proportion of the Net Pension Liability-2016	0.016716%	0.158757%	
Proportion of the Net Pension Liability-2015	<u>0.017411%</u>	<u>0.163665%</u>	
Percentage Change	<u>(0.000695%)</u>	<u>(0.004908%)</u>	
Pension Expense	\$325,137	\$1,142,686	\$1,467,823

VILLAGE OF ST. BERNARD, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$851,070	\$1,662,275	\$2,513,345
City contributions subsequent to the measurement date	<u>255,627</u>	<u>708,091</u>	<u>963,718</u>
Total Deferred Outflows of Resources	<u>\$1,106,697</u>	<u>\$2,370,366</u>	<u>\$3,477,063</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$57,418	\$28,678	\$86,096
Change in Proportionate Share	<u>(1,473)</u>	<u>0</u>	<u>(1,473)</u>
Total Deferred Inflows of Resources	<u>\$55,945</u>	<u>\$28,678</u>	<u>\$84,623</u>

\$963,718 reported as deferred outflows of resources related to pension resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2017	\$186,137	\$432,197	\$618,334
2018	199,746	432,197	631,943
2019	216,645	432,197	648,842
2020	192,597	343,582	536,179
2021	0	(5,526)	(5,526)
2022	<u>0</u>	<u>(1,050)</u>	<u>(1,050)</u>
Total	<u>\$795,125</u>	<u>\$1,633,597</u>	<u>\$2,428,722</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

VILLAGE OF ST. BERNARD, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Village’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Village’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Village’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$4,613,101	\$2,895,412	\$1,446,598

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2015 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	0.00 %	0.00%	0.00%
Domestic Equity	16.00	4.47	7.80
Non-US Equity	16.00	4.47	8.00
Core Fixed Income *	20.00	1.62	5.35
Global Inflation Protected *	20.00	1.33	4.73
High Yield	15.00	3.39	7.21
Real Estate	12.00	3.93	7.43
Private Markets	8.00	6.98	10.73
Timber	5.00	4.92	7.35
Master Limited Partnerships	8.00	7.03	10.75
Total	<u>120.00 %</u>		

* levered 2x

** numbers are net of expected inflation

OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Village’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City’s proportionate share of the net pension liability	\$13,469,500	\$10,212,940	\$7,454,313

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (“OPERS”)

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2016, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The Village's contributions for health care to the OPERS for the years ending December 31, 2016, 2015, and 2014 were \$42,605, \$42,110 and \$43,161, respectively, which were equal to the required contributions for each year.

B. Ohio Police and Fire Pension Fund (“OP&F”)

Plan Description – The Village contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F’s website at www.op-f.org.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

B. Ohio Police and Fire Pension Fund ("OP&F") (Continued)

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions for health care to the OP&F for the years ending December 31, 2016, 2015, and 2014 were \$6,356, \$6,065 and \$6,401 for police and \$9,927, \$9,489 and \$9,239 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 12- COMPENSATED ABSENCES

All full-time Village employees other than fire department employees earn vacation at varying rates based upon length of service. An employee's vacation must be used during the period in which it is earned unless the Department Supervisor allows the balance to be carried over to the following year. Upon separation from the Village, the employee (or their estate) is paid for his accumulated unused vacation leave balance.

All full-time Village employees other than fire department employees earn sick leave at the rate of 1.25 days per calendar month of active service. Upon retirement from the Village's service, an employee hired prior to December 21, 1985 receives one hour of monetary compensation for each one hour of unused sick leave up to a maximum of 1,800 hours. An employee hired after December 21, 1985 receives one hour of monetary compensation for each hour of unused sick leave up to a maximum of 1,000 hours. The monetary compensation is calculated at the hourly rate of compensation of the employee at the time of retirement.

Fire department employees earn sick leave at the rate of 16 hours per calendar month of active service. Upon retirement from Village service, fire department employees receive one hour of compensation for each one hour of unused sick leave up to a maximum of 105 hours. The monetary compensation is calculated at the hourly rate of compensation of the employee at the time of retirement.

As of December 31, 2016 the long-term portion of the compensated absences liability for the Village has decreased \$121,124 from a balance of \$1,285,778 to \$1,164,654. This amount is considered long-term since no payments are anticipated requiring the use of current available financial resources.

VILLAGE OF ST. BERNARD, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 13 - CAPITAL LEASES

The Village is party to four separate leases, three for police vehicles and one for a street sweeper for the Street Construction Fund. The cost of the equipment obtained under the lease agreements (\$378,772) is included in the Governmental Activities capital assets as machinery and equipment. The liability for these leases are recorded on the Statement of Net Position as due within one year and due in more than one year. The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2016:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>
2017	\$80,590
2018	80,590
2019	52,235
2020	<u>28,321</u>
Minimum Lease Payments	241,736
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(12,632)</u>
Present value of minimum lease payments	<u><u>\$229,104</u></u>

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VILLAGE OF ST. BERNARD, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 14 - LONG-TERM OBLIGATIONS

Detail of the changes in the loans, bonds, pension liability and compensated absences of the Village for the year ended December 31, 2016, follows:

	Balance December 31, 2015	Issued	(Retired)	Balance December 31, 2016	Amount Due Within One Year
Governmental Activities:					
Ohio Public Works Commission Loan (OPWC):					
3.00% Andalus Avenue Improvements	\$16,771	\$0	(\$2,591)	\$14,180	\$2,670
0.00% Ross Avenue Improvements	343,099	38,861	(12,732)	369,228	12,732
Total OPWC Loans	<u>359,870</u>	<u>38,861</u>	<u>(15,323)</u>	<u>383,408</u>	<u>15,402</u>
General Obligation Bonds:					
3.00% Swimming Pool Refunding Bonds	1,030,000	0	(95,000)	935,000	100,000
4.50% Fire Truck	140,000	0	(70,000)	70,000	70,000
2.00% Service Center Project	3,385,000	0	(70,000)	3,315,000	75,000
2.00% Streetscape Project	3,405,000	0	(150,000)	3,255,000	150,000
2.00% Public Safety Center	8,745,000	0	(185,000)	8,560,000	190,000
2.00% Bank Street Settlement	2,385,000	0	(105,000)	2,280,000	105,000
Premium on Bonds	819,487	0	(33,281)	786,206	33,281
Total General Obligation Bonds	<u>19,909,487</u>	<u>0</u>	<u>(708,281)</u>	<u>19,201,206</u>	<u>723,281</u>
Net Pension Liability:					
Ohio Public Employees Pension Liability	2,099,961	795,451	0	2,895,412	0
Ohio Police and Fire Pension Liability	8,478,524	1,734,416	0	10,212,940	0
Total Net Pension Liability	<u>10,578,485</u>	<u>2,529,867</u>	<u>0</u>	<u>13,108,352</u>	<u>0</u>
Accrued Pension Liability	665,791	0	(22,582)	643,209	23,552
Capital Leases	301,482	0	(72,378)	229,104	74,513
Compensated Absences	1,285,778	328,898	(450,022)	1,164,654	175,957
Total General Long-Term Debt and Other Long-Term Obligations	<u>\$33,100,893</u>	<u>\$2,897,626</u>	<u>(\$1,268,586)</u>	<u>\$34,729,933</u>	<u>\$1,012,705</u>

VILLAGE OF ST. BERNARD, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

The Village's liability for past service costs relating to the Police and Firemen's Disability and Pension Fund at December 31, 2016 was \$979,166 in principal and interest payments through the year 2035. Only the principal amount due of \$643,209 is included in the Government-wide Statement of Net Position.

A. Principal and Interest Requirements

The Village's future long-term obligation funding requirements for the loan, bonds, promissory notes and accrued pension liability, including principal and interest payments as of December 31, 2016 follows:

Years	OPWC Loan		General Obligation Bonds		Police/Fire Accrued Pension Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$15,402	\$406	\$690,000	\$719,169	\$23,552	\$31,233
2018	18,316	567	645,000	690,344	24,564	30,067
2019	18,658	224	675,000	664,544	25,619	28,851
2020	12,732	0	700,000	637,544	26,719	27,582
2021	12,732	0	730,000	609,400	27,867	26,258
2022-2026	63,660	0	3,815,000	2,586,200	158,347	109,366
2027-2031	63,660	0	4,025,000	1,943,394	195,403	66,640
2032-2036	63,660	0	2,840,000	1,318,426	161,138	15,960
2037-2041	63,660	0	2,920,000	787,644	0	0
2042-2045	50,928	0	1,375,000	104,000	0	0
Totals	<u>\$383,408</u>	<u>\$1,197</u>	<u>\$18,415,000</u>	<u>\$10,060,665</u>	<u>\$643,209</u>	<u>\$335,957</u>

NOTE 15 - INSURANCE AND RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

Insurance for property holds a \$1,000 deductible, general liability does not have a deductible. The Village carries a \$2,500 deductible for both police and professional liability insurance.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

The Village pays unemployment claims to the State of Ohio as incurred.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The Village contracts with the Industrial Advisors Bureau to review all accidents claimed through Workers' Compensation.

VILLAGE OF ST. BERNARD, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 16 - EMPLOYEE MEDICAL BENEFITS

The Village has a group health self-insurance program for employees and their eligible dependents. Premiums are paid into the General Fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the General Fund are available to pay claims and administrative costs. The Village currently maintains a health care account with a December 31, 2016 balance of \$273,285. The plan is administered by a third party administrator, Healthsmart, which monitors all claim payments. Excess loss coverage, carried through Montgomery Management, becomes effective after \$50,000 per year per specific claim.

The claims liability of \$189,134 reported in the General Fund at December 31, 2016 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2016 and 2015 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2015	\$97,972	\$1,807,655	(\$1,777,192)	\$128,435
2016	128,435	1,717,108	(1,656,409)	189,134

NOTE 17 - CONTINGENCIES

The Village is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Village's management is of the opinion that the ultimate disposition of most of the various claims and legal proceedings will not have a material effect on the financial condition of the Village.

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VILLAGE OF ST. BERNARD, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 18 – LEASES

The Village Community Improvement Corporation (CIC) is the lessor in four (4) separate operating leases all within the St. Bernard Square Shopping Center. Lease information is presented below:

Property	Property Carrying Value	Square Footage	Remaining Lease Term
St. Bernard Square Shopping Center	\$2,400,000		
4921 Vine St. Subway		1,846	4 Years
4971 Vine St. Twins Group-PH LLC (Pizza Hut)		1,224	4 Years
4981 Vine St. Ace Cash Express, Inc.		1,530	Month to Month *
5005 Vine St. Family Dollar (Dollar General)		12,296	4 Years

* - Six month notification of termination by either party

Future payments under the non-cancellable operating leases are as follows:

	Lease Payments
2017	\$ 118,421
2018	118,421
2019	118,421
2020	118,421
	<u>\$ 473,684</u>

VILLAGE OF ST. BERNARD, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 19 – TAX ABATEMENT DISCLOSURES

As of December 31, 2016, the Village of St. Bernard provides tax incentives under a Residential Community Reinvestment Area (RCRA) program.

Real Estate Tax Abatements

Pursuant to Ohio Revised Code Chapter 3735.66, the Village established a Residential Community Reinvestment Area in 2008. Various portions of the community are covered by this RCRA. The Village authorizes incentives based upon each residence’s attributes and through a contractual application process with each property owner, including proof that the improvements have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient’s property tax bill. The establishment of the RCRA gave the Village the ability to maintain and improve residences located in the Village by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved real estate.

Below are the real property taxes abated in 2016:

	Total Amount of Taxes Abated (Incentives Abated) For the Year 2016 (In Actual Dollars)
<u>Residential Community Reinvestment Area (RCRA)</u>	
Residential	<u>\$58,713</u>

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VILLAGE OF ST. BERNARD, OHIO

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF ST. BERNARD, OHIO

***Schedule of Village's Proportionate Share of the Net Pension Liability
Last Three Years***

Ohio Public Employees Retirement System

Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
Village's proportion of the net pension liability (asset)	0.017411%	0.017411%	0.016716%
Village's proportionate share of the net pension liability (asset)	\$2,052,530	\$2,099,961	\$2,895,412
Village's covered-employee payroll	\$2,440,946	\$2,134,967	\$2,080,458
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	84.09%	98.36%	139.17%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

Source: Auditor's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
Village's proportion of the net pension liability (asset)	0.163665%	0.163665%	0.158757%
Village's proportionate share of the net pension liability (asset)	\$7,970,994	\$8,478,524	\$10,212,940
Village's covered-employee payroll	\$4,259,473	\$3,396,817	\$3,367,098
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	187.14%	249.60%	303.32%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%

Source: Auditor's Office and the Ohio Police and Fire Pension Fund

Notes: The Village implemented GASB Statement 68 in 2015.

Information prior to 2014 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability which is the prior fiscal year.

VILLAGE OF ST. BERNARD, OHIO

Schedule of Village Contributions Last Four Years

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$317,323	\$256,196	\$249,655	\$255,627
Contributions in relation to the contractually required contribution	<u>317,323</u>	<u>256,196</u>	<u>249,655</u>	<u>255,627</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Village's covered-employee payroll	\$2,440,946	\$2,134,967	\$2,080,458	\$2,130,225
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%

Source: Auditor's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$727,518	\$691,592	\$676,450	\$708,091
Contributions in relation to the contractually required contribution	<u>727,518</u>	<u>691,592</u>	<u>676,450</u>	<u>708,091</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Village's covered-employee payroll	\$4,259,473	\$3,396,817	\$3,367,098	\$3,256,581
Contributions as a percentage of covered-employee payroll	17.08%	20.36%	20.09%	21.74%

Source: Auditor's Office and the Ohio Police and Fire Pension Fund

Notes: The Village implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

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VILLAGE OF ST. BERNARD

Hamilton County, Ohio



Yellow Book Report

December 31, 2016

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Village of St. Bernard
110 Washington Ave.
St. Bernard, Ohio 45217

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of St. Bernard (the Village) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated June 29, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness. See 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Responses to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
Cincinnati, Ohio
June 29, 2017

VILLAGE OF ST. BERNARD
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2016

FINDING NUMBER 2016-001

Material Weakness

When designing the public office's system of internal controls and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

During the audit, the following audit adjustments were posted to the financial statements:

- As part of the GAAP Conversion, errors were noted in the recording of income taxes receivable. Income taxes receivable were overstated by \$932,945.
- As part of the GAAP Conversion, the Village restated balances previously reported to correct errors related to Capital Assets. An adjustment of \$4,842,178 was made to beginning Net Position as a result of this error.

Lack of internal controls and formal policies over the accounting and financial reporting increases the risk that errors could occur and not be detected in a timely manner.

We recommend that the Village exercise due care when posting entries to the financial records and financial statement preparation to prevent errors, accurately reflect the financial activity and financial position of the Village, and disclose all activities of the financial statements as required.

The Village has posted audit adjustments to the financial statements and ledgers where appropriate, and has corrected the related notes to the financial statements.

Officials' Response:

The Auditor's Department has put in place new procedures to ensure accurate capital assets and income tax receivable.



Dave Yost • Auditor of State

VILLAGE OF ST BERNARD

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 3, 2017