



***VILLAGE OF BAINBRIDGE  
ROSS COUNTY***

---

**Regular Audit**

**For the Years Ended  
December 31, 2013 and 2012**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







# Dave Yost • Auditor of State

Village Council  
Village of Bainbridge  
P.O. Box 551  
Bainbridge, Ohio 45612

We have reviewed the *Independent Auditor's Report* of the Village of Bainbridge, Ross County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. 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 Bainbridge is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

April 29, 2014

**This page intentionally left blank.**

**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
Table of Contents  
For the Years Ended December 31, 2013 and 2012

---

Independent Auditor’s Report.....	1
<b>GENERAL PURPOSE FINANCIAL STATEMENTS:</b>	
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2013.....	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types For the Year Ended December 31, 2013.....	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2012.....	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types For the Year Ended December 31, 2012.....	6
Notes to the Financial Statements.....	7
Independent Accountant’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 <i>Government Auditing Standards</i> .....	16
Schedule of Findings.....	18
Schedule of Prior Audit Findings.....	20

**This page intentionally left blank.**

## Independent Auditor's Report

Village of Bainbridge  
Ross County  
P.O. Box 551  
Bainbridge, OH 45612

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Bainbridge, Ross County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Bainbridge, Ross County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 14, 2014 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

***J. L. Uhrig and Associates, Inc.***

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

March 14, 2014



**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2013**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<b><u>Cash Receipts:</u></b>			
Property and Local Taxes	\$42,892	\$15,579	\$58,471
Intergovernmental	31,821	91,596	123,417
Charges for Service	16,150	0	16,150
Earnings on Investments	436	187	623
Miscellaneous	1,693	600	2,293
Total Cash Receipts	<u>92,992</u>	<u>107,962</u>	<u>200,954</u>
<b><u>Cash Disbursements:</u></b>			
<i>Current:</i>			
General Government	79,772	285	80,057
Security of Persons and Property	62,038	87,842	149,880
Leisure Time Activities	2,080	0	2,080
Transportation	0	9,408	9,408
Capital Outlay	12,057	220,827	232,884
Total Cash Disbursements	<u>155,947</u>	<u>318,362</u>	<u>474,309</u>
Cash Receipts Over(Under) Cash Disbursements	(62,955)	(210,400)	(273,355)
<b><u>Other Financing Sources:</u></b>			
Proceeds of Notes	<u>0</u>	<u>220,000</u>	<u>220,000</u>
Total Other Financing Sources	<u>0</u>	<u>220,000</u>	<u>220,000</u>
Excess of Cash Receipts and Other Financing Sources Over(Under) Cash Disbursements	(62,955)	9,600	(53,355)
Fund Cash Balances, January 1	<u>182,023</u>	<u>198,634</u>	<u>380,657</u>
Restricted	0	208,234	208,234
Unassigned	119,068	0	119,068
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$119,068</u></u></b>	<b><u><u>\$208,234</u></u></b>	<b><u><u>\$327,302</u></u></b>

See accompanying notes to the financial statements.

**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Proprietary Fund Types**  
**For the Year Ended December 31, 2013**

---

	Enterprise
<b><u>Operating Cash Receipts:</u></b>	
Charges for Services	\$212,404
Total Operating Cash Receipts	212,404
<b><u>Operating Cash Disbursements:</u></b>	
Personal Services	81,666
Employee Fringe Benefits	22,174
Contractual Services	54,145
Supplies and Materials	14,073
Total Operating Cash Disbursements	172,058
Operating Income (Loss)	40,346
<b><u>Non-Operating Cash Disbursements:</u></b>	
Principal Retirement	(9,267)
Interest and Fiscal Charges	(4,819)
Other Non-Operating Cash Disbursements	(20)
Total Non-Operating Cash Disbursements	(14,106)
Net Receipts Over(Under) Disbursements	26,240
Fund Cash Balances, January 1	407,249
<b><i>Fund Cash Balances, December 31</i></b>	<b>\$433,489</b>

See accompanying notes to the financial statements.

**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2012**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<b><u>Cash Receipts:</u></b>			
Property and Local Taxes	\$41,341	\$15,020	\$56,361
Intergovernmental	38,309	41,725	80,034
Charges for Service	15,350	0	15,350
Earnings on Investments	1,529	655	2,184
Miscellaneous	3,650	2,646	6,296
Total Cash Receipts	<u>100,179</u>	<u>60,046</u>	<u>160,225</u>
<b><u>Cash Disbursements:</u></b>			
<i>Current:</i>			
General Government	72,340	276	72,616
Security of Persons and Property	69,332	23,658	92,990
Leisure Time Activities	4,001	0	4,001
Transportation	0	11,405	11,405
Capital Outlay	12,158	0	12,158
Total Cash Disbursements	<u>157,831</u>	<u>35,339</u>	<u>193,170</u>
Cash Receipts Over(Under) Cash Disbursements	(57,652)	24,707	(32,945)
Fund Cash Balances, January 1 (Restated, See Note 9)	<u>239,675</u>	<u>173,927</u>	<u>413,602</u>
Restricted	0	198,634	198,634
Unassigned	182,023	0	182,023
<b><i>Fund Cash Balances, December 31</i></b>	<b><u><u>\$182,023</u></u></b>	<b><u><u>\$198,634</u></u></b>	<b><u><u>\$380,657</u></u></b>

See accompanying notes to the financial statements.

**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Proprietary Fund Types**  
**For the Year Ended December 31, 2012**

	Enterprise
<b><u>Operating Cash Receipts:</u></b>	
Charges for Services	\$214,993
Total Operating Cash Receipts	214,993
<b><u>Operating Cash Disbursements:</u></b>	
Personal Services	81,833
Employee Fringe Benefits	35,397
Contractual Services	54,632
Supplies and Materials	31,773
Total Operating Cash Disbursements	203,635
Operating Income	11,358
<b><u>Non-Operating Cash Disbursements:</u></b>	
Principal Retirement	(8,994)
Interest and Fiscal Charges	(5,091)
Other Non-Operating Cash Disbursements	(754)
Total Non-Operating Cash Disbursements	(14,839)
Net Receipts Over(Under) Disbursements	(3,481)
Fund Cash Balances, January 1 (Restated, See Note 9)	410,730
<b><i>Fund Cash Balances, December 31</i></b>	<b>\$407,249</b>

See accompanying notes to the financial statements.

**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

---

**Note 1 – Reporting Entity**

The Village of Bainbridge, Ross County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council and a publicly elected Mayor.

The Village provides general government services, water utilities, maintenance of Village roads and bridges, and park maintenance. The Village contracts with the Ross County Sheriff's department to provide police protection. The Village appropriates monies received from the fire levy to support a volunteer fire department. The volunteer fire department has contracts to provide fire protection services to Paxton Township and Perry Township.

The Village participates in Public Entities Pool of Ohio (PEP), a public entity risk-sharing pool. Note 7 to the financial statements provide additional information for this entity.

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

**Note 2 – Summary of Significant Accounting Policies**

**A. Basis of Accounting**

The Village's financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. This method differs from generally accepted accounting principles because receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**B. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**General Fund:** The General Fund is the general operating fund. It is used to account for all financial resources, except those required by law or contracted to be restricted.

**Special Revenue Funds:** These funds are used to account for proceeds from specific sources (other than trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

*Fire Levy Fund* – This fund receives tax money to provide fire protection services to the Village.

**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2013 and 2012**

---

**Note 2 – Summary of Significant Accounting Policies** (continued)

Enterprise Funds: These funds are used to account for any activities for which a fee is charged to external users for goods or services. The Village has the following significant Enterprise Funds:

*Water Fund* - This fund accounts for the provision of water to the residents and commercial users located within the Village. The fund also accounts for the debt related to the expansion of the water treatment facilities.

*Sewer Fund* - This fund accounts for the provision of 10 % of the water receipts being saved towards a Sewer Project.

**C. Budgetary Process**

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

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

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

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

A summary of 2013 and 2012 budgetary activity appears in Note 4.

**D. Fund Balances**

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

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

Restricted: Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed: Trustees can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned: Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

---

**Note 2 – Summary of Significant Accounting Policies** (continued)

Unassigned: Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**E. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**F. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**Note 3 – Cash and Investments**

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Village had no investments at year end. The carrying amount of cash at year end was as follows:

	December 31, 2013	December 31, 2012
Demand Deposits	<u>\$760,791</u>	<u>\$787,938</u>
Total	<u>\$760,791</u>	<u>\$787,938</u>

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

**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2013 and 2012**

---

**Note 4 – Budgetary Basis of Accounting**

The Village’s budgetary activity for the years ending December 31, 2013 and December 31, 2012 was as follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$95,750	\$92,992	(\$2,758)
Special Revenue	100,647	327,962	227,315
Enterprise	207,500	212,404	4,904
<i>Total</i>	<u>\$403,897</u>	<u>\$633,358</u>	<u>\$229,461</u>

2013 Budgeted vs. Actual Budgetary Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$253,050	\$155,947	\$97,103
Special Revenue	219,999	318,363	(98,364)
Enterprise	229,691	186,164	43,527
<i>Total</i>	<u>\$702,740</u>	<u>\$660,474</u>	<u>\$42,266</u>



**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2013 and 2012**

---

**Note 4 – Budgetary Basis of Accounting** - (Continued)

2012 Budgeted vs. Actual Receipts

Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$106,274	\$100,179	(\$6,095)
Special Revenue	49,236	60,046	10,810
Enterprise	189,900	214,993	25,093
<i>Total</i>	\$345,410	\$375,218	\$29,808

2012 Budgeted vs. Actual Budgetary Disbursements

Fund Type	Appropriation	Budgetary	Variance
	Authority	Disbursements	
General	\$277,800	\$157,799	\$120,001
Special Revenue	181,000	35,339	145,661
Enterprise	250,586	218,474	32,112
<i>Total</i>	\$709,386	\$411,612	\$297,774

**Note 5- Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2013 and 2012**

---

**Note 6- Long-Term Obligations**

A schedule of changes in long-term obligations of the Village during 2013 follows:

	Interest Rate	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013
<i><u>Governmental Activities:</u></i>					
1997 OWDA Loan #3140	6.32%	\$35,194	\$0	\$3,022	\$32,172
2006 OWDA Loan #4498	1.50%	174,499	0	6,243	168,256
Rosenbauer Fire Truck	3.59%	0	220,000	0	220,000
Total Governmental Activities		<u>\$209,693</u>	<u>\$220,000</u>	<u>\$9,266</u>	<u>\$420,428</u>

A schedule of changes in long-term obligations of the Village during 2012 follows:

	Interest Rate	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012
<i><u>Governmental Activities:</u></i>					
1997 OWDA Loan #3140	6.32%	\$38,037	\$0	\$2,843	\$35,194
2006 OWDA Loan #4498	1.50%	180,652	0	6,153	174,499
Total Governmental Activities		<u>\$218,689</u>	<u>\$0</u>	<u>\$8,996</u>	<u>\$209,693</u>

The 1997 Ohio Water Development Authority (OWDA) loan (loan #3140) relates to a water line extension project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in annual installments of \$5,247, including interest, over 25 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

During 2006 the Village obtained an OWDA Water Storage Design loan and drew \$27,158, then effectively refinanced the loan at a lower interest rate by combining the loan with its OWDA Water Storage Improvements Project loan (#4498); this new loan was awarded to the Village for an amount up to \$212,890 for the construction of water storage improvements.

During 2013 the Village purchased a New Rosenbauer Fire Truck at the cost of \$300,000 with a down payment of \$80,000 and financed the remaining \$220,000. The loan will be repaid in annual installments of \$26,570, including interest, over 10 years.

**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2013 and 2012**

**Note 6- Long-Term Obligations** – (Continued)

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

Year Ended December 31:	OWDA Loan #3140		OWDA Loan #4498		Rosenbauer Fire Truck		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$3,213	\$2,033	\$6,338	\$2,500	\$19,420	\$7,150	\$28,971	\$11,683
2015	3,417	1,830	6,434	2,405	19,213	7,357	29,064	11,592
2016	3,632	1,614	6,531	2,308	19,918	6,652	30,081	10,574
2017	3,862	1,385	6,629	2,210	20,648	5,922	31,139	9,517
2018	4,106	1,141	6,729	2,110	21,405	5,164	32,240	8,415
2019-2023	13,942	1,798	35,194	8,998	119,396	13,453	168,532	24,249
2024-2028	0	0	37,925	6,268	0	0	37,925	6,268
2029-2033	0	0	40,869	3,325	0	0	40,869	3,325
2034-2036	0	0	21,607	489	0	0	21,607	489
Total	\$32,172	\$9,801	\$168,256	\$30,613	\$220,000	45,699	\$420,428	\$86,113

**Note 7 – Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. A December 31, 2012, PEP retained \$350,000 casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreements do not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective PEP member.

**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2013 and 2012**

---

**Note 7 – Risk Management** – (Continued)

Financial Position

PEP’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<b>2012</b>	<b>2011</b>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Retained earnings	\$20,181,216	\$19,175,131

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Government’s share of these unpaid claims collectible in future years is approximately \$12,714.

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

<b>Contribution to PEP</b>	
2013	\$6,357
2012	\$6,132
2011	\$6,757

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

---

**Note 8 – Retirement Systems**

The Village's elected officials contribute to Social Security. Contribution rates for 2013 and 2012 were 6.2% for employee and employer.

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans benefits, which include postretirement healthcare and survivor and disability benefits. Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, the OPERS member contributed 10% of gross salary and the Village contributed an amount equaling 14% of the participant's gross salary. The Village has paid all contributions required through December 31, 2013.

**Note 9 – Prior Period Adjustment**

In 2012, the Village had voided previously issued checks. This resulted in a restatement of the prior period cash balance.

	General Fund	Special Revenue Funds	Enterprise Fund
Fund Cash Balance at December 31, 2011	\$239,525	\$173,794	\$410,742
Overstatement of Cash and Cash Equivalents	150	133	12
Adjusted Fund Cash Balance at December 31, 2011	<u>\$239,675</u>	<u>\$173,927</u>	<u>\$410,730</u>

**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 Council  
Village of Bainbridge, Ross County  
P.O. Box 551  
Bainbridge, OH 45612

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Bainbridge, Ross County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated March 14, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

**Internal Control over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material misstatement, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying Schedule of Findings to be a material weakness.

Village Council  
Village of Bainbridge, Ross County  
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*

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2013-002.

We also noted certain additional matters not requiring inclusion in this report that we have reported to management of the Village in a separate letter dated March 14, 2014.

### **Entity's Response to Findings**

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

### **Purpose of this Report**

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

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

March 14, 2014

**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2013 and 2012**

**A. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

*Finding Number 2013-001*

**Financial Record Keeping - Material Weakness**

Ohio Rev. Code Section 733.28, provides, in part, that the Village Clerk Treasurer shall keep the books of the Village and exhibit accurate statements of all monies received and expended.

The Village did not properly post the following transactions to the proper account codes, and therefore reported materially incorrect account classifications in the Village's annual financial report:

Item	Amount	Fund Type	Proper Classification	Reported As
2013				
Amount Received from Another Government	\$49,999	Special Revenue	Intergovernmental Revenue	Other Revenue
Recording of New Note	220,000	Special Revenue	Proceed of Notes Capital Outlay	Not Reported

The Village corrected the accompanying financial statements.

Additionally, the Village classified the Sewer Project Fund as a Capital Project Fund on the 2013 and 2012 annual financial reports. This fund is reclassified as Enterprise Fund Type on the accompanying financial statements.

Failure to properly post transactions resulted in transactions being inaccurately classified in the annual report and inaccurate fund balances. The Clerk Treasurer agreed to reclassifications to correctly report the above items, and the reclassifications were posted to the accompanying financial statements. The Clerk Treasurer should review the chart of accounts in the Ohio Village Handbook to assure that items are being posted to the proper funds and account codes.

**Officials' Response**

We did not receive a response from officials for the finding above.



**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2013 and 2012**

---

**B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

*Finding Number 2013-002*

**Expenditures exceeding Appropriations - Noncompliance Citation**

Ohio Rev. Code Section 5705.41 states that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2013, expenditures exceeded appropriations in the Special Revenue Funds.

Failure to properly appropriate expenditures could and did result in negative fund balances for the Village during 2013.

The Clerk Treasurer should frequently compare actual expenditures with appropriations at the fund level to avoid overspending. We further recommend that no money be expended if it has not been properly appropriated by the Village Council.

**Official's Response**

The Village Officials are taking the necessary steps to ensure future compliance.

**VILLAGE OF BAINBRIDGE, ROSS COUNTY**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2013 and 2012*

---

<b>Finding Number</b>	<b>Description</b>	<b>Status</b>	<b>Comments</b>
	<i>Government Auditing Standards:</i>		
2011-001	Audit Adjustments were made to properly record budget amounts in UAN system.	Corrected	Corrected



# Dave Yost • Auditor of State

**VILLAGE OF BAINBRIDGE**

**ROSS 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  
MAY 13, 2014**