



Dave Yost • Auditor of State



VILLAGE OF BAINBRIDGE  
ROSS COUNTY

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# Dave Yost • Auditor of State

## 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 of the cash balances, receipts and disbursements by fund type, and related notes of Village of Bainbridge, Ross County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

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

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

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

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

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

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

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

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Bainbridge, Ross County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1 B.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2016, 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 consider the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 4, 2016

**VILLAGE OF BAINBRIDGE  
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$38,553	\$10,196	\$48,749
Intergovernmental	38,737	47,334	86,071
Charges for Services	19,900	0	19,900
Earnings on Investments	262	111	373
<i>Total Cash Receipts</i>	<u>97,452</u>	<u>57,641</u>	<u>155,093</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	57,253	6,715	63,968
Leisure Time Activities	153	0	153
Transportation	0	2,930	2,930
General Government	53,737	1,743	55,480
Capital Outlay	1,136	830	1,966
Debt Service:			
Principal Retirement	0	19,214	19,214
Interest and Fiscal Charges	0	7,357	7,357
<i>Total Cash Disbursements</i>	<u>112,279</u>	<u>38,789</u>	<u>151,068</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,827)</u>	<u>18,852</u>	<u>4,025</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Sources	3,423	0	3,423
<i>Total Other Financing Receipts (Disbursements)</i>	<u>3,423</u>	<u>0</u>	<u>3,423</u>
<i>Net Change in Fund Cash Balances</i>	(11,404)	18,852	7,448
<i>Fund Cash Balances, January 1</i>	<u>81,711</u>	<u>201,552</u>	<u>283,263</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	220,404	220,404
Assigned	70,307	0	70,307
<i>Fund Cash Balances, December 31</i>	<u><u>\$70,307</u></u>	<u><u>\$220,404</u></u>	<u><u>\$290,711</u></u>

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

**VILLAGE OF BAINBRIDGE  
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Types
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$214,936
<i>Total Operating Cash Receipts</i>	214,936
<b>Operating Cash Disbursements</b>	
Personal Services	78,481
Employee Fringe Benefits	27,517
Contractual Services	50,436
Supplies and Materials	26,363
<i>Total Operating Cash Disbursements</i>	182,797
<i>Operating Income (Loss)</i>	32,139
<b>Non-Operating Receipts (Disbursements)</b>	
Capital Outlay	(1,149)
Principal Retirement	(9,851)
Interest and Other Fiscal Charges	(4,235)
Other Financing Uses	(150)
<i>Total Non-Operating Receipts (Disbursements)</i>	(15,385)
<i>Net Change in Fund Cash Balances</i>	16,754
<i>Fund Cash Balances, January 1</i>	451,054
<i>Fund Cash Balances, December 31</i>	\$467,808

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



**VILLAGE OF BAINBRIDGE  
ROSS COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$38,593	\$10,173	\$48,766
Intergovernmental	35,615	57,166	92,781
Charges for Services	19,600	0	19,600
Earnings on Investments	262	111	373
Miscellaneous	1,269	0	1,269
<i>Total Cash Receipts</i>	<u>95,339</u>	<u>67,450</u>	<u>162,789</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	65,028	13,056	78,084
Leisure Time Activities	1,237	0	1,237
Transportation	0	32,782	32,782
General Government	68,888	294	69,182
Capital Outlay	543	1,430	1,973
Debt Service:			
Principal Retirement	0	19,420	19,420
Interest and Fiscal Charges	0	7,150	7,150
<i>Total Cash Disbursements</i>	<u>135,696</u>	<u>74,132</u>	<u>209,828</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(40,357)</u>	<u>(6,682)</u>	<u>(47,039)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Sources	3,000	0	3,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>3,000</u>	<u>0</u>	<u>3,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(37,357)</u>	<u>(6,682)</u>	<u>(44,039)</u>
<i>Fund Cash Balances, January 1</i>	<u>119,068</u>	<u>208,234</u>	<u>327,302</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	201,552	201,552
Assigned	81,711	0	81,711
<i>Fund Cash Balances, December 31</i>	<u>\$81,711</u>	<u>\$201,552</u>	<u>\$283,263</u>

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

**VILLAGE OF BAINBRIDGE  
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Types
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$209,192
<i>Total Operating Cash Receipts</i>	209,192
<b>Operating Cash Disbursements</b>	
Personal Services	80,296
Employee Fringe Benefits	25,950
Contractual Services	52,308
Supplies and Materials	18,124
<i>Total Operating Cash Disbursements</i>	176,678
<i>Operating Income (Loss)</i>	32,514
<b>Non-Operating Receipts (Disbursements)</b>	
Capital Outlay	(864)
Principal Retirement	(9,552)
Interest and Other Fiscal Charges	(4,533)
<i>Total Non-Operating Receipts (Disbursements)</i>	(14,949)
<i>Net Change in Fund Cash Balances</i>	17,565
<i>Fund Cash Balances, January 1</i>	433,489
<i>Fund Cash Balances, December 31</i>	\$451,054

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

**VILLAGE OF BAINBRIDGE  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Bainbridge, Ross County, (the Village) as a body corporate and politic. A publicly-elected six-member Council and Mayor directs the Village. The Village provides water and sewer utilities, park operations, and police services

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.

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits**

The Village has one Primary Checking account, and no investments.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF BAINBRIDGE  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

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

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

Fire Levy Fund – This fund receives tax money to provide fire protection to the Village and Paxton and Perry Townships.

**3. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

VILLAGE OF BAINBRIDGE  
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

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

1. **Nonspendable**

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

2. **Restricted**

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

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

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

G. Property, Plant, and Equipment

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

**VILLAGE OF BAINBRIDGE  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**H. Accumulated Leave**

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

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	2015	2014
Demand deposits	\$758,519	\$734,319

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2015 and 2014 are as follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,079	\$100,875	\$17,796
Special Revenue	50,600	57,641	7,041
Debt Service	26,570	0	(26,570)
Capital Projects	16,300	0	(16,300)
Enterprise	197,500	214,936	17,436
Total	\$374,049	\$373,452	(\$597)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$168,550	\$112,279	\$56,271
Special Revenue	55,575	38,789	16,786
Debt Service	26,570	0	26,570
Capital Projects	0	0	0
Enterprise	214,585	198,182	16,403
Total	\$465,280	\$349,250	\$116,030

**VILLAGE OF BAINBRIDGE  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. Budgetary Activity (Continued)**

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$90,678	\$98,339	\$7,661
Special Revenue	67,950	67,450	(500)
Debt Service	0	0	0
Capital Projects	15,500	0	(15,500)
Enterprise	192,000	209,192	17,192
Total	\$366,128	\$374,981	\$8,853

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$205,250	\$135,696	\$69,554
Special Revenue	163,826	74,132	89,694
Enterprise	211,488	191,627	19,861
Total	\$580,564	\$401,455	\$179,109

Contrary to Ohio law, appropriations were greater than actual receipts Fire Truck Debt Service fund by \$26,570 for the year ended December 31, 2015. Also, appropriations exceeded estimated resources in the General fund in 2015 by \$3,759. Expenditures exceeded appropriations in the Fire Special Revenue fund in 2015 by \$25,054; however, the Special Revenue opinion unit expenditures did not exceed appropriations in total.

**4. PROPERTY TAX**

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

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

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

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

**VILLAGE OF BAINBRIDGE  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1997 OWDA Loan #3140	\$25,542	6.32%
2006 OWDA Loan #4498	155,483	1.50%
Rosenbauer Fire Truck	<u>181,366</u>	3.59%
Total	<u><u>\$362,391</u></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.

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

Year ending December 31:	<u>OWDA Loan #3140</u>	<u>OWDA #4498</u>	<u>Rosenbauer Fire Truck</u>	<u>Total</u>
2016	\$5,246	\$8,839	\$26,570	\$40,655
2017	5,247	8,839	26,570	40,656
2018	5,247	8,839	26,570	40,656
2019	5,247	8,839	26,570	40,656
2020	5,247	8,839	26,570	40,656
2021-2025	5,246	44,193	79,708	129,147
2026-2030		44,193		44,193
2031-2035		44,193		44,193
2036		4,419		4,419
Total	<u><u>\$31,480</u></u>	<u><u>\$181,193</u></u>	<u><u>\$212,558</u></u>	<u><u>425,231</u></u>

**6. RETIREMENT SYSTEMS**

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% each year, respectively, of their gross salaries and the Village contributed an amount equaling 14% for both years, respectively, of participants' gross salaries. As of December 31, 2015, the Village owes OPERS \$141.36. In the middle of fiscal year 2014, four Council Members opted to pay into Social Security instead of OPERS; however, they had already paid into OPERS, so they were not allowed to revert to Social Security. The Village is in the process of obtaining the funds back from Social Security, and paying OPERS.



**VILLAGE OF BAINBRIDGE  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015.

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$14,162.

**VILLAGE OF BAINBRIDGE  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

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><u>Contributions to PEP</u></b>	
<b><u>2014</u></b>	<b><u>2015</u></b>
\$22,237	\$22,480

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



# Dave Yost • Auditor of State

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

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 cash balances, receipts, and disbursements by fund type of the Village of Bainbridge, Ross County (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated August 4, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 through 2015-003 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-004.

***Village's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 4, 2016

**VILLAGE OF BAINBRIDGE  
ROSS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

**FINDING NUMBER 2015-001**

**Material Weakness**

Governments are required to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Also, Governmental Accounting Standards Board (GASB) codification sections 1800.165-.179 provides guidance on the classification of fund balances. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned. GASB codification section 1800.176 clarifies that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. As noted below, the Township did not classify year end fund balances included as a budgetary resource in the subsequent year's budget fund balance as assigned.

We noted the following conditions related to the Village's accounting system:

- Sales tax receipts were incorrectly posted as tax receipts instead of intergovernmental receipts in the amount of \$4,151 in 2015 and \$4,296 in 2014.
- Fire contract receipts of \$13,000 were incorrectly posted to the Debt Service fund instead of the General fund in 2015.
- Rollback and homestead receipts in the amount of \$6,996 were incorrectly posted in the Debt Service fund instead of the Fire fund in 2015 and in the amount of \$1,667 in 2014.
- Real estate tax receipts in the amount of \$1,662 were incorrectly posted in the Debt Service fund instead of the Fire fund in 2015 and in the amount of \$2,832 in 2014.
- Principal and interest in the amount of \$19,214 and \$7,357, respectively, were incorrectly posted in the Debt Service fund instead of the Fire fund in 2015.
- Transfers of \$9,100 from the General fund to the Debt Service fund in 2015 were not approved by Council. Also, the Debt Service fund was never established by Council.
- General fund balance was incorrectly posted as unassigned instead of assigned in the amount of \$70,307 in 2015 and \$81,711 in 2014.
- Real estate tax receipts were incorrectly posted as intergovernmental receipts instead of tax receipts in the General fund in the amount of \$6,861 in 2014.
- Principal and interest payments in the Fire fund in the amount of \$19,420 and \$7,150, respectively, were incorrectly posted as security of persons and property disbursements in 2014.

**FINDING NUMBER 2015-001  
(Continued)**

The Village corrected the financial statements and accounting records, where appropriate.

Failure to accurately post and report transactions could result in material errors in the Village's financial statements and reduces the Village's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Village.

We recommend that the Village accurately record financial transactions.

**Officials' Response:**

All material weakness conditions have been corrected per audit instructions.

- The MVL fund now has a revenue line item of 2101-211-0000.
- All permissive sales tax receipts will be posted to [proper funds and line items].
- Fire Contract receipts will be posted to the General Fund
- Roll back and Homestead receipts will be posted to the Fire Fund
- Real estate receipts will be posted to the fire fund
- Loan payments for fire truck loan will be posted to the Fire Fund
- All fund transfers will be approved by council
- General fund balance will be posted as assigned
- Real Estate tax receipts will be posted as tax receipts

All principal and interest payments will be posted correctly in the fire fund

**FINDING NUMBER 2015-002**

**Material Weakness**

Village Council and management are responsible of developing and implementing internal controls sufficient to identify errors, and make corrections timely within the system. They are also responsible to design internal controls in such a way to ensure proper segregation of duties. Cash collection and reconciliations should be separated and include supervisory review.

We identified the following conditions related to the Village cash collection process:

- Not all utility stubs were stamped with the date and/or amount received.
- Duplicate receipts were only prepared for receipts received at the front desk. Receipts from the drop box and/or received in the mail had no duplicate receipts.
- The change box at the front desk was not counted or reconciled before or after the day's activity.
- A set amount has not been established by Council for the utility change fund, and was not included in the Village reconciliation.

**FINDING NUMBER 2015-002  
(Continued)**

- There was a lack of segregation of duties because the Village Administrator had sole control over collecting, depositing and recording water revenue.
- Auditors observed bulk water sales receipts in an unsecured location
- No report was available for audit for the detailed amount of bulk receipts collected for 2015.
- Council did not have a formal policy concerning bill adjustments, frequency and allowability. When adjustments were needed for a customer, there was no Council approval.
- During 2014, 16 of the 58 utility receipts tested (26%) were not charged the correct minimum rate. One out of 16 should have been charged \$20.42 based on Ordinance 4-2011, and 15 out of 16 should have been charged \$21.44 based on Ordinance 4-2014. Also, 15 out of the 58 utility receipts tested (26%) had usage over the minimum of 3,000 gallons, but were not charged the correct rates per Ordinances 4-2011 and 4-2014. They were charged as follows: one was charged \$6.11, one at \$5.51 and thirteen at \$6.11 instead of \$6.08, \$6.08 and \$5.79 respectively based upon the applicable ordinances.
- During 2015, 19 of the 58 tested or 33% had utility usage over the minimum of 3,000 gallons. All 19 were charged a rate per thousand after 3,001 of \$6.11 instead of the established rate of \$5.79 pursuant to Ordinance 4-2014.
- During 2015 and 2014, 2 and 1 utility receipts respectively, tested were for out of town service which is subject to a 10% surcharge pursuant to Ordinance 11-95. These receipts were billed a surcharge of \$1.95 instead of the established surcharge rate of \$2.04.
- A year-end deposit listing was not maintained to substantiate the amount disclosed on the financial report for either year.

Failure to charge correct rates and accurately prepare the accounting records 1) reduces the accountability over Village funds, 2) reduces Council's ability to monitor financial activity and make informed financial decisions, and 3) increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend the Village officials and management implement the following:

- The Village should stamp all stubs with the date received and circle or otherwise identify the amount paid on the stub maintained as source documentation.
- Duplicate receipts should be completed for receipts where a stub is not retained as documentation of payment.
- The Village change box should be counted at the beginning and ending of each day and reconciled to an amount established by the board.
- The Board should establish an amount for the change fund and the change fund should be included within the Village's monthly cash reconciliation and UAN balance.
- The Village should establish controls to ensure proper segregation of duties exist over utility revenues. (i.e. One person should not have sole reconciling, depositing and billing of the utility accounts.)

**FINDING NUMBER 2015-002  
(Continued)**

- The Village should invest in a drop slot safe where bulk water sales receipts can be safely deposited by water employees until retrieved within a day by the appropriate personnel for deposit.
- The Village should receive a statement from the bulk sales to document the amount collected and deposited daily.
- The Village should establish a formal policy concerning under what circumstances bill adjustments and frequency are allowable. The Village Council should review and approve adjustments to be made to utility client's accounts by the Village Administrator.
- The Village should implement controls sufficient to timely update utility rates in the system as approved by formal Ordinance duly approved by Council.
- The Village should maintain the year-end deposit listing to substantiate amounts reported on the financial reports.
- The Village should establish an official policy over the customer deposits, receipt, collection, and refund if applicable.

**Officials' Response:**

All material weakness conditions have been corrected per audit instructions.

- All utility stubs are now stamped with date and amount received is written or circled on the stub by water clerk on daily basis.
- Duplicate receipts are now written for payments that are received in drop box or mail that do not contain a payment stub.
- Change box is now reconciled daily and has a beginning balance of \$75.00 as established by village council.
- Village Council has established a sum of \$75.00 daily start up for change box.
- Village Administrator and water clerk now both deposit funds when received and each has a separate log in which can be monitored through transaction report by log in.
- Bulk Water sales are now directly deposited when collected and a copy of receipt ledger is provided to Village Administrator for monitoring.
- Bulk water receipts are recorded in a ledger at water plant and copies are provided to Village Administrator for monitoring.
- Village Administrator is working to update water policy, which has been in effect since 1995, and will include conditions under which adjustments to water accounts would be acceptable for council's approval.
- All billing rates have been corrected in the computer system.
- A year-end deposit listing will be requested by Village Administrator from Village Clerk to be included in December water records folder.



### FINDING NUMBER 2015-003

#### Material Weakness

The Sewer Project 10% fund was recorded within the UAN system as a Governmental fund. The Village coded the fund as 4201, Grant Construction Capital Project Fund. Based on testing performed, the fund is actually an Enterprise Capital Projects fund, and should be classified as Fund 5701 according to the 2015 Village Officer's Handbook, Appendix 2.

The Village corrected the fund classification on the financial statements and within the UAN system.

Failure to properly classify funds can lead to improper presentation of the funds on the financial statements, and not reflect true activity of the Village to the reader.

The Village should classify funds in accordance with the guidance provided in *The Village Officer's Handbook* available at:

<http://www.ohioauditor.gov/publications/Final%20Village%20Officers%20Handbook%202016.pdf>

#### Officials' Response:

All material weakness conditions have been corrected per audit instructions.

### FINDING NUMBER 2015-004

#### Noncompliance

**Ohio Rev. Code, § 9.38**, provides that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three (3) business days after receiving it. If the public office is governed by a legislative authority, only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the public moneys until they are deposited.

During 2015 and 2014, 31% and 28%, respectively, of receipts tested were not deposited timely. The time frames varied from 8 business days to 23 days total.

Not depositing timely increases the risk of theft or loss. We recommend the Village deposit all revenues daily in accordance with Ohio Rev. Code §9.38.

#### Officials' Response:

All material weakness conditions have been corrected per audit instructions. All money is now deposited daily by water clerk and/or Village Administrator.

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**VILLAGE OF BAINBRIDGE  
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Posting errors	No	Reissued as 2015-001
2013-002	Expenditures exceeded appropriations	No	Management letter due to dollar amount

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# 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  
SEPTEMBER 6, 2016