



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF NORTH BEND
HAMILTON COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of North Bend, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017.

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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of North Bend, Hamilton County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

December 2, 2019

Village of North Bend
Hamilton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$300,187 | \$92,297 | | \$392,484 |
| Intergovernmental | 76,087 | 41,839 | | 117,926 |
| Fines, Licenses and Permits | 24,986 | | | 24,986 |
| Earnings on Investments | 5,945 | | | 5,945 |
| Miscellaneous | 10,022 | | | 10,022 |
| <i>Total Cash Receipts</i> | <u>417,227</u> | <u>134,136</u> | <u>0</u> | <u>551,363</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 137,140 | 146,995 | | 284,135 |
| Public Health Services | 2,445 | | | 2,445 |
| Leisure Time Activities | 1,198 | | | 1,198 |
| Community Environment | 12,404 | | | 12,404 |
| Basic Utility Services | 8,048 | | | 8,048 |
| Transportation | | 83,111 | | 83,111 |
| General Government | 124,981 | 1,007 | 21,057 | 147,045 |
| Debt Service: | | | | |
| Principal Retirement | | | 14,850 | 14,850 |
| Interest and Fiscal Charges | | | 2,269 | 2,269 |
| <i>Total Cash Disbursements</i> | <u>286,216</u> | <u>231,113</u> | <u>38,176</u> | <u>555,505</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>131,011</u> | <u>(96,977)</u> | <u>(38,176)</u> | <u>(4,142)</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | | 75,000 | 17,200 | 92,200 |
| Transfers Out | (92,200) | | | (92,200) |
| Other Financing Uses | (8,940) | | | (8,940) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(101,140)</u> | <u>75,000</u> | <u>17,200</u> | <u>(8,940)</u> |
| <i>Net Change in Fund Cash Balances</i> | 29,871 | (21,977) | (20,976) | (13,082) |
| <i>Fund Cash Balances, January 1</i> | <u>437,673</u> | <u>118,827</u> | <u>143,581</u> | <u>700,081</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | | 96,850 | | 96,850 |
| Assigned | 184,389 | | 122,605 | 306,994 |
| Unassigned | 283,155 | | | 283,155 |
| <i>Fund Cash Balances, December 31</i> | <u>\$467,544</u> | <u>\$96,850</u> | <u>\$122,605</u> | <u>\$686,999</u> |

See accompanying notes to the basic financial statements

Village of North Bend
Hamilton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2018

| | <u>Fiduciary Fund Type</u> |
|---|----------------------------|
| | <u>Agency</u> |
| Non-Operating Receipts (Disbursements) | |
| Other Financing Sources | 4,000 |
| Other Financing Uses | (16,000) |
| | <u>(12,000)</u> |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <i>(12,000)</i> |
| | <u>(12,000)</u> |
| <i>Net Change in Fund Cash Balances</i> | <i>(12,000)</i> |
| | <u>22,931</u> |
| <i>Fund Cash Balances, January 1</i> | <i>22,931</i> |
| | <u>\$10,931</u> |
| | <u>\$10,931</u> |

See accompanying notes to the basic financial statements

Village of North Bend, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of North Bend (the Village), Hamilton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides road maintenance and park operations, The Village contracts with the County Sheriff's department to provide security of persons and property and with Miami Township to provide EMS and fire protection services.

If the Village has been declared in any state of fiscal distress by the Auditor of State's office, a brief summary of the date of declaration, and establishment of a financial planning and supervision commission (if fiscal emergency), and a summary of the financial recovery plan should be included here.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a public entity risk pool. Note 6 to the financial statements provided additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

Village of North Bend, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for building deposits.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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.

Budgetary Process

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

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

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

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

A summary of 2018 budgetary activity appears in Note 3.

Village of North Bend, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured 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 an NAV per share that approximates fair value

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

Village of North Bend, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2018 follows:

| 2018 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$412,407 | \$417,227 | \$4,820 |
| Special Revenue | 168,485 | 209,136 | 40,651 |
| Capital Projects | 17,200 | 17,200 | 0 |
| Total | \$598,092 | \$643,563 | \$45,471 |

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$577,014 | \$390,022 | \$186,992 |
| Special Revenue | 269,005 | 231,112 | 37,893 |
| Capital Projects | 141,732 | 38,176 | 103,556 |
| Total | \$987,751 | \$659,310 | \$328,441 |

Note 4 – Deposits and Investments

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

| | |
|--------------------------------|-------------------|
| Demand deposits | 2018 \$319,317 |
| Total deposits | 319,317 |
| STAR Ohio | 306,613 |
| Total investments | 306,613 |
| Total deposits and investments | \$697,930 |

Village of North Bend, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 6 - Risk Management

The (local entity) is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

Village of North Bend, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

| <u>2018</u> | |
|-----------------------|---------------|
| Cash and investments | \$ 35,381,789 |
| Actuarial liabilities | \$ 12,965,015 |

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

| <i>Retirement Rates</i> | <i>Year</i> | <i>Member Rate</i> | <i>Employer Rate</i> |
|-------------------------|------------------|--------------------|----------------------|
| <i>OPERS – Local</i> | <i>2012-2018</i> | <i>10%</i> | <i>14%</i> |

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4 percent during calendar year 2018.

Village of North Bend, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt

Debt at December 31, 2018 was as follows:

| | Principal | Interest Rate |
|------------------|-----------|---------------|
| OPWC Loan #CB20N | \$20,429 | 0% |
| OPWC Loan #CB14N | \$18,704 | 0% |
| OPWC Loan #C03O | \$24,281 | 0% |
| OPWC Loan #CB36P | \$36,275 | 0% |
| Total | \$99,690 | |

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

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

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

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

Amortization

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

| Year Ending December 31: | OPWC #CB20N | OPWC #CB14N | OPWC #CB03O | OPWC #CB36P |
|-----------------------------|----------------|----------------|----------------|-------------|
| 2019 | \$6,810 | \$6,235 | \$1,734 | \$2,340 |
| 2020 | 6,810 | 6,235 | 1,734 | 2,340 |
| 2021 | 6,810 | 6,234 | 1,734 | 2,340 |
| 2022 | | | 1,734 | 2,340 |
| 2023 | | | 1,734 | 2,340 |
| 2024-2028 | | | 8,672 | 11,702 |
| 2029-2033 | | | 6,939 | 11,702 |
| 2034 | | | | 1,170 |
| Total | \$20,429 | \$18,704 | \$24,281 | \$36,275 |

Note 10 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three

Village of North Bend, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Village of North Bend
Hamilton County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017*

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|-------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$ 294,132 | \$ 91,897 | \$ - | \$ 386,029 |
| Intergovernmental | 71,594 | 43,189 | - | 114,783 |
| Fines, Licenses and Permits | 27,112 | - | - | 27,112 |
| Earnings on Investments | 712 | - | - | 712 |
| Miscellaneous | <u>10,889</u> | <u>-</u> | <u>-</u> | <u>10,889</u> |
| <i>Total Cash Receipts</i> | <u>404,439</u> | <u>135,086</u> | <u>-</u> | <u>539,525</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 133,333 | 79,902 | - | 213,235 |
| Public Health Services | 2,362 | - | - | 2,362 |
| Leisure Time Activities | 982 | - | - | 982 |
| Community Environment | 10,288 | - | - | 10,288 |
| Basic Utility Services | 7,369 | - | - | 7,369 |
| Transportation | - | 128,291 | 60,982 | 189,273 |
| General Government | 148,353 | 1,138 | - | 149,491 |
| Capital Outlay | - | 5,025 | - | 5,025 |
| Debt Service: | | | | |
| Principal Retirement | <u>-</u> | <u>-</u> | <u>17,118</u> | <u>17,118</u> |
| <i>Total Cash Disbursements</i> | <u>302,687</u> | <u>214,356</u> | <u>78,100</u> | <u>595,143</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 101,752 | (79,270) | (78,100) | (55,618) |
| Other Financing Receipts (Disbursements): | | | | |
| Transfers-In | - | 125,000 | 17,200 | 142,200 |
| Transfers-Out | <u>(142,200)</u> | <u>-</u> | <u>-</u> | <u>(142,200)</u> |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(142,200)</u> | <u>125,000</u> | <u>17,200</u> | <u>-</u> |
| <i>Net Change in Fund Cash Balances</i> | (40,448) | 45,730 | (60,900) | (55,618) |
| <i>Fund Cash Balances, January 1</i> | <u>478,121</u> | <u>73,097</u> | <u>204,481</u> | <u>755,699</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | - | 118,827 | - | 118,827 |
| Assigned | 164,677 | - | 143,581 | 308,258 |
| Unassigned | <u>272,996</u> | <u>-</u> | <u>-</u> | <u>272,996</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 437,673</u> | <u>\$ 118,827</u> | <u>\$ 143,581</u> | <u>\$ 700,081</u> |

See accompanying notes to the basic financial statements

Village of North Bend
Hamilton County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2017*

| | <u>Fiduciary Fund Type</u> |
|--|--------------------------------|
| | <u>Agency</u> |
| Non-Operating Receipts | |
| Other Financing Sources | <u>16,000</u> |
| <i>Total Non-Operating Receipts</i> | <u>16,000</u> |
| Non-Operating Cash Disbursements: | |
| Other Financing Uses | <u>2,000</u> |
| <i>Total Non-Operating Disbursements</i> | <u>2,000</u> |
| <i>Net Change in Fund Cash Balances</i> | 14,000 |
| <i>Fund Cash Balances, January 1</i> | <u>8,931</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$ 22,931</u></u> |

See accompanying notes to the basic financial statements

VILLAGE OF NORTH BEND
Hamilton County, Ohio

Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 1 – Reporting Entity

The Village of North Bend (the Village), Hamilton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides road maintenance and park operations. The Village contracts with the Hamilton County Sheriff's Department to provide security of persons and property, and with Miami Township to provide EMS and fire protection services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

VILLAGE OF NORTH BEND
Hamilton County, Ohio

Notes to the Financial Statements
For the Years Ended December 31, 2017

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

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

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village’s own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village’s agency fund accounts for building deposits.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2017 budgetary activity appears in Note 3.

VILLAGE OF NORTH BEND
Hamilton County, Ohio

Notes to the Financial Statements
For the Years Ended December 31, 2017

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

VILLAGE OF NORTH BEND
Hamilton County, Ohio

Notes to the Financial Statements
For the Years Ended December 31, 2017

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$402,232 | \$404,439 | \$2,207 |
| Special Revenue | 257,890 | 260,086 | 2,196 |
| Capital Projects | 17,200 | 17,200 | 0 |
| Total | \$677,322 | \$681,725 | \$4,403 |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$635,194 | \$446,158 | \$189,036 |
| Special Revenue | 260,840 | 214,356 | 46,484 |
| Capital Projects | 221,437 | 78,100 | 143,337 |
| Total | \$1,117,471 | \$738,614 | \$378,857 |

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2017 was as follows:

Demand deposits \$723,012

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution’s public entity deposit pool or; collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

VILLAGE OF NORTH BEND
Hamilton County, Ohio

Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 5 – Property Taxes

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

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

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

Note 6 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, 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, 2017.

| | <u>2017</u> |
|--------------|--------------------|
| Assets | \$44,452,326 |
| Liabilities | (13,004,011) |
| Net Position | \$31,448,315 |

VILLAGE OF NORTH BEND
Hamilton County, Ohio

Notes to the Financial Statements
For the Years Ended December 31, 2017

At December 31, 2017, the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$5,000.

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

| |
|---|
| <u>2017 Contributions to PEP</u> |
| <u>\$8,640</u> |

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Social Security

Several of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan 1.0 percent during calendar year 2017.

VILLAGE OF NORTH BEND
Hamilton County, Ohio

Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

| | Principal | Interest Rate |
|------------------|-----------|---------------|
| OPWC Loan #CB20N | \$27,239 | 0% |
| OPWC Loan #CB14N | \$24,938 | 0% |
| OPWC Loan #C03O | \$26,016 | 0% |
| OPWC Loan #CB36P | \$38,616 | 0% |
| Total | \$116,809 | |

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

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

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

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

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

| Year Ending December 31: | OPWC #CB20N | OPWC #CB14N | OPWC #CB03O | OPWC #CB36P | Total |
|-----------------------------|-------------|----------------|-------------|----------------|-----------|
| 208 | \$6,810 | \$6,234 | \$1,734 | \$2,340 | \$17,118 |
| 2019 | 6,810 | 6,235 | 1,735 | 2,340 | 17,120 |
| 2020 | 6,810 | 6,234 | 1,734 | 2,340 | 17,118 |
| 2021 | 6,809 | 6,235 | 1,735 | 2,340 | 17,119 |
| 2022 | | | 1,734 | 2,340 | 4,074 |
| 2023-2027 | | | 8,672 | 11,702 | 20,374 |
| 2028-2032 | | | 8,672 | 11,702 | 20,374 |
| 2033-2034 | | | | 3,512 | 3,512 |
| Total | \$27,239 | \$24,938 | \$26,016 | \$38,616 | \$116,809 |

**VILLAGE OF NORTH BEND
Hamilton County, Ohio**

**Notes to the Financial Statements
For the Years Ended December 31, 2017**

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

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

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

To Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of North Bend, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated December 2, 2019, 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 a certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 subject the Village's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

**VILLAGE OF NORTH BEND
HAMILTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

FINDING NUMBER 2018-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

We identified the following conditions related to the above criteria:

- Homestead and Rollback Receipts (Intergovernmental Receipts) totaling \$2,466 in 2018 and \$2,644 in 2017 were incorrectly posted to the General Fund rather than to the Special Assessment Fund.
- Tax Receipts totaling \$2,418 in 2018 and \$2,499 in 2017 were incorrectly posted to Intergovernmental Receipts in the Motor Vehicle License Tax Fund.
- Intergovernmental Receipts totaling \$487 in 2018 and \$521 in 2017 were incorrectly posted to the Street Construction Maintenance and Repair Fund rather than to the State Highway Fund.
- Street Bond Fund Non-Operating Cash Receipts totaling \$4,000 in 2018 were incorrectly posted to Charges for Services rather than to Other Financing Sources in the Agency Fund.
- Non-Operating Cash Disbursements totaling \$16,000 in 2018 were incorrectly posted to Other Operating Cash Disbursements rather than to Other Financing Uses in the Agency Fund.
- Debt Principal Payments totaling \$2,269 in 2018 were incorrectly posted to Interest Payments in the Capital Project Funds.
- Assigned Fund Balance in the General Fund totaling \$184,389 in 2018 was incorrectly classified as Unassigned Fund Balance.
- Assigned Fund Balance in the Capital Project Funds totaling \$122,605 in 2018 was incorrectly classified as Restricted Fund Balance.
- The Village did not include the Accumulated Leave disclosures in Note 2 for 2018.
- In footnote 4 for 2018, the Village incorrectly disclosed the amount of demand deposits amount at December 31, 2018 as \$394,957 instead of the correct amount of \$391,318. Also the Ohio Pooled Collateral wasn't properly disclosed as part of the footnote 4.
- In footnote 6 for Risk Management, the disclosure was improper and inadequate in 2018.
- In footnote 7 for Ohio Public Employees Retirement System, the public safety and law enforcement retirement rates were improperly included in 2018.
- In footnote 9 for Debt, the ending balances for Ohio Public Works Commission (OPWC) Loan #CB14N and #C03O were incorrectly reported at December 31, 2018 as \$20,504 and \$23,414, respectively. The correct amounts for the above loans were \$18,704 and \$24,281, respectively.

**FINDING NUMBER 2018-001
 (Continued)**

The financial statements and accounting records have been adjusted for these errors, where applicable.

The Village did not have procedures in place for effective monitoring of the Village's financial activity, and the accuracy of accounting and financial reporting. The Village Fiscal Officer has sole responsibility over accounting and reporting. Due to the small size of the Village, it is important that Council take an active role in monitoring the accounting and reporting functions. Failure to accurately post and monitor financial activity increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

We recommend due care be exercised when posting entries to the financial records and in preparing the financial statements. The Village officials should review the chart of accounts to assure that items are being posted to the proper account codes and funds, and update control procedures for review of financial activity so that errors can be detected and corrected in a timely manner.

Officials' Response:

We agree with this finding. Village officials will make best efforts to monitor that items are posed to the proper account codes and funds. As offered during the Monday, December 2, 2019 Post Audit Conference, the Village of North Bend Fiscal Officer will also seek the expertise of the Ohio Auditor of State – Audit Division – Southwest with posting questions.

FINDING NUMBER 2018-002

Material Weakness

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The following posting errors were noted:

| Estimated Resources | Estimated Receipts Per Certificate of Estimated Resources | Amount Posted to Accounting System | Variance |
|---|--|---|-----------------|
| General Fund (1000) - 2017 | \$402,232 | \$378,784 | (\$23,448) |
| General Fund (1000) - 2018 | 412,407 | 369,032 | (43,375) |
| Street Construction Maintenance and Repair Fund (2011) - 2018 | 75,000 | 106,900 | 31,900 |

**FINDING NUMBER 2018-002
 (Continued)**

| Appropriations | Appropriations Per Appropriation Resolutions | Amount Posted to Accounting System | Variance |
|---|---|---|-----------------|
| General Fund (1000) - 2017 | \$599,802 | \$615,402 | \$15,600 |
| Street Construction Maintenance and Repair Fund (2011) - 2018 | 150,973 | 155,173 | 4,200 |
| Life Squad Fund (2402) - 2018 | 83,032 | 83,938 | (906) |
| Road and Street Maintenance Reserve Fund (4908) – 2018 | 101,600 | 143,255 | (41,655) |

In addition, various budgetary amounts were incorrectly reported in the budgetary footnote:

- In footnote 3 for Budgetary Activity in 2017, the incorrect appropriation authority amounts were reported. The following amounts were reported: \$638,794 for General Fund and \$260,880 for Special Revenue Funds. The correct Appropriation Authority amounts were as follows: \$635,194 for General fund and \$260,840 for Special Revenue fund.
- In footnote 3 for Budgetary Receipts in 2018, the incorrect budgeted receipts amounts were reported. The following amounts were incorrectly reported: \$369,032 for General Fund, and \$200,385 for Special Revenue Fund. The correct budgetary receipt amounts were as follows: \$412,407 for General Fund, and \$168,485 for Special Revenue Fund.
- In footnote 3 for Budgetary Activity in 2018, the incorrect appropriation authority amounts were reported. The following amounts were reported: \$276,892 for Special Revenue Fund and \$160,455 Capital Projects Fund. The correct Appropriation Authority amounts were as follows: \$269,005 for Special Revenue fund, and \$141,732 for Capital Projects Fund.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system or footnotes. The appropriations (and/or amendments thereof) approved by Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not properly posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

The Village corrected the financial statements and footnotes.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board/Council. In addition, the Village should report the correct amounts on the budgetary footnote. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers and review the budgetary footnote for accuracy.

Officials' Response:

We agree with this finding. Village officials will make best efforts to monitor budget versus actual reports for accuracy. Village officials will work to leverage all variance information contained within the UAN system.

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Village of North Bend

21 Taylor Avenue
North Bend, Ohio 45052
(513) 941-0610

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2018 AND 2017

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|--------------------------------------|------------------|-------------------------------|
| 2016-001 | Financial Reporting – Posting Errors | Not Corrected. | Reissued, Finding 2018-001 |
| 2016-002 | Certification of Fund Availability | Fully Corrected. | |

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF NORTH BEND

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 19, 2019**