

**VILLAGE OF NORTH BEND
HAMILTON COUNTY
Regular Audit
For the Years Ended December 31, 2012 and 2011**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of North Bend
21 Taylor Avenue
North Bend, Ohio 45052

We have reviewed the *Independent Auditor's Report* of the Village of North Bend, Hamilton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of North Bend is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

May 30, 2013

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VILLAGE OF NORTH BEND
HAMILTON COUNTY

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INDEPENDENT AUDITOR'S REPORT

April 1, 2013

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Village of North Bend**, Hamilton County, (the Village) as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair 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 opinion.

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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of North Bend, Hamilton County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1B.

Emphasis of Matter

As discussed in Note 1F to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2013, 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.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 281,006	\$ 37,103	\$ -	\$ 318,109
Intergovernmental	68,975	46,548	66,000	181,523
Special Assessments	-	5,292	-	5,292
Fines, Licenses and Permits	29,120	-	-	29,120
Earnings on Investments	5	-	-	5
Miscellaneous	52,678	3,956	-	56,634
Total Cash Receipts	<u>431,784</u>	<u>92,899</u>	<u>66,000</u>	<u>590,683</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	104,473	66,874	-	171,347
Leisure Time Activities	5,703	-	-	5,703
Community Environment	1,785	-	-	1,785
Basic Utility Services	17,643	1,700	-	19,343
Transportation	4,000	92,214	-	96,214
General Government	154,712	-	-	154,712
Capital Outlay	44,864	41,122	100,688	186,674
Debt Service:				
Principal Retirement	-	-	13,045	13,045
Total Cash Disbursements	<u>333,180</u>	<u>201,910</u>	<u>113,733</u>	<u>648,823</u>
Excess of Receipts Over/(Under) Disbursements	<u>98,604</u>	<u>(109,011)</u>	<u>(47,733)</u>	<u>(58,140)</u>
Other Financing Receipts/(Disbursements):				
Other Debt Proceeds	-	-	34,688	34,688
Sale of Capital Assets	8,070	-	-	8,070
Transfers-In	-	102,955	13,045	116,000
Transfers-Out	(116,000)	-	-	(116,000)
Total Other Financing Receipts/(Disbursements)	<u>(107,930)</u>	<u>102,955</u>	<u>47,733</u>	<u>42,758</u>
<i>Net Change in Fund Cash Balances</i>	(9,326)	(6,056)	-	(15,382)
<i>Fund Cash Balances, January 1</i>	<u>756,127</u>	<u>130,141</u>	<u>-</u>	<u>886,268</u>
Fund Cash Balances, December 31				
Restricted	-	124,085	-	124,085
Unassigned	746,801	-	-	746,801
<i>Fund Cash Balances, December 31</i>	<u>\$ 746,801</u>	<u>\$ 124,085</u>	<u>\$ -</u>	<u>\$ 870,886</u>

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

VILLAGE OF NORTH BEND
HAMILTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Fiduciary Fund Type</u>
	<u>Agency Fund</u>
Non-Operating Cash Receipts/(Disbursements):	
Other Non-Operating Receipts	2,000
Other Non-Operating Disbursements	<u>(6,000)</u>
Total Non-Operating Cash Receipts/(Disbursements)	(4,000)
Fund Cash Balances, January 1	<u>12,989</u>
Fund Cash Balances, December 31	<u>\$ 8,989</u>

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

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 289,105	\$ 34,757	\$ -	\$ 323,862
Intergovernmental	73,519	53,755	-	127,274
Special Assessments	-	566	-	566
Charges for Services	1,723	294	-	2,017
Fines, Licenses and Permits	18,686	-	-	18,686
Earnings on Investments	1,400	92	-	1,492
Miscellaneous	1,044	6,364	-	7,408
	<u>385,477</u>	<u>95,828</u>	<u>-</u>	<u>481,305</u>
Total Cash Receipts				
	<u>385,477</u>	<u>95,828</u>	<u>-</u>	<u>481,305</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	95,436	97,108	-	192,544
Leisure Time Activities	2,619	473	-	3,092
Community Environment	2,024	-	-	2,024
Basic Utility Services	16,964	1,275	-	18,239
Transportation	-	84,305	-	84,305
General Government	137,871	-	-	137,871
Capital Outlay	-	5,890	130,442	136,332
	<u>254,914</u>	<u>189,051</u>	<u>130,442</u>	<u>574,407</u>
Total Cash Disbursements				
	<u>254,914</u>	<u>189,051</u>	<u>130,442</u>	<u>574,407</u>
Excess of Receipts Over/(Under) Disbursements	<u>130,563</u>	<u>(93,223)</u>	<u>(130,442)</u>	<u>(93,102)</u>
Other Financing Receipts/(Disbursements):				
Other Debt Proceeds	-	-	130,442	130,442
Transfers-In	-	80,000	-	80,000
Transfers-Out	(80,000)	-	-	(80,000)
	<u>(80,000)</u>	<u>80,000</u>	<u>130,442</u>	<u>130,442</u>
Total Other Financing Receipts/(Disbursements)				
	<u>(80,000)</u>	<u>80,000</u>	<u>130,442</u>	<u>130,442</u>
<i>Net Change in Fund Cash Balances</i>	50,563	(13,223)	-	37,340
<i>Fund Cash Balances, January 1</i>	<u>705,564</u>	<u>143,364</u>	<u>-</u>	<u>848,928</u>
Fund Cash Balances, December 31				
Restricted	-	130,141	-	130,141
Unassigned	<u>756,127</u>	<u>-</u>	<u>-</u>	<u>756,127</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 756,127</u>	<u>\$ 130,141</u>	<u>\$ -</u>	<u>\$ 886,268</u>

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

VILLAGE OF NORTH BEND
HAMILTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Fiduciary Fund Type</u>
	<u>Agency Fund</u>
Non-Operating Cash Receipts/(Disbursements):	
Other Non-Operating Receipts	\$ 12,000
Other Non-Operating Disbursements	<u>(8,000)</u>
Total Non-Operating Cash Receipts/(Disbursements)	4,000
Fund Cash Balances, January 1	<u>8,989</u>
Fund Cash Balances, December 31	<u><u>\$ 12,989</u></u>

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

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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 North Bend, Hamilton County, (the Village) as a body corporate and politic. 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.

The Village participates in the Public Entities Pool of Ohio. Note 7 to the financial statements provides additional information for this entity. This organizations is:

Public Entity Risk Pool:

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.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

C. 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.

D. Fund Accounting

The Village uses fund accounting to segregate deposits 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 recorded in another fund.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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 Fund:

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

3. Capital Projects 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:

OPWC - Brower Road Improvement Fund – This fund receives monies through OPWC debt proceeds for the funding of improvements to Brower Road.

OPWC - Cliff Road Improvement Fund – This fund receives monies through OPWC debt proceeds for the funding of improvements to Cliff Road.

OPWC - Lakeview Drive Improvement Fund – This fund receives monies through OPWC debt proceeds and grants for the funding of improvements to Lakeview Drive.

4. 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.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and 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.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 also 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 2012 and 2011 budgetary activity appears in Note 3.

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.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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.

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

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

	2012	2011
Demand Deposits	\$ 879,875	\$ 899,257
Total	\$ 879,875	\$ 899,257

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 308,316	\$ 439,854	\$ 131,538
Special Revenue	194,086	195,854	1,768
Capital Projects	113,733	113,733	-
Total	\$ 616,135	\$ 749,441	\$ 133,306

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,066,594	\$ 449,180	\$ 617,414
Special Revenue	262,888	202,282	60,606
Capital Projects	113,733	113,733	-
Total	<u>\$ 1,443,215</u>	<u>\$ 765,195</u>	<u>\$ 678,020</u>

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 398,967	\$ 385,477	\$ (13,490)
Special Revenue	176,382	175,828	(554)
Capital Projects	130,442	130,442	-
Total	<u>\$ 705,791</u>	<u>\$ 691,747</u>	<u>\$ (14,044)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 548,360	\$ 367,498	\$ 180,862
Special Revenue	290,020	256,193	33,827
Capital Projects	130,442	130,442	-
Total	<u>\$ 968,822</u>	<u>\$ 754,133</u>	<u>\$ 214,689</u>

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 NORTH BEND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

5. DEBT

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
OPWC Loan #CB20N	\$ 61,287	0%
OPWC Loan #CB14N	56,110	0%
OPWC Loan #CB03O	34,688	0%
Total	\$ 152,085	

The OPWC Loan #CB20N relates to the financing of Brower Road improvements in 2011. The total amount disbursed to the Village was \$68,097, and the loan will be repaid in semiannual installments of \$3,405 over 10 years. The OPWC Loan #CB14N relates to the financing of Cliff Road improvements in 2011. The total amount disbursed to the Village was \$62,345, and the loan will be repaid in semiannual 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, and the loan will be repaid in semiannual installments of \$867 over 20 years. The loans are backed by the full faith and credit of the Village.

Amortization of the Village's debt principal is scheduled as follows:

	OPWC Loan #CB20N	OPWC Loan #CB14N	OPWC Loan #CB03O	Total
Year ending December 31:				
2013	\$ 6,810	\$ 6,234	\$ 1,734	\$ 14,778
2014	6,810	6,234	1,734	14,778
2015	6,810	6,235	1,734	14,779
2016	6,810	6,234	1,735	14,779
2017	6,810	6,235	1,734	14,779
2018-2022	27,237	24,938	8,672	60,847
2023-2027	-	-	8,672	8,672
2028-2032	-	-	8,673	8,673
Total	\$ 61,287	\$ 56,110	\$ 34,688	\$ 152,085

6. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS), except for several Council members who have elected instead to pay into Social Security. 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 2012 and 2011, OPERS members contributed 10.0% of their gross salaries, and the Village contributed an amount equaling 14.0% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(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. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. 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, 2010, PEP retained \$350,000 for casualty claims and \$150,000 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 accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$6,000.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

7. RISK MANAGEMENT (Continued)

Financial Position (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.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$6,984	\$5,160

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.

8. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

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.

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

April 1, 2013

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of North Bend**, Hamilton County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated April 1, 2013, wherein we noted the Village followed a special purpose framework the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and has adopted Governmental Accounting Standards Board Statement No. 54.

Internal Control over Financial Reporting

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

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

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 a 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. We consider findings 2012-01 through 2012-02 described in the accompanying schedule of audit findings 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*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 1, 2013.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of audit 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.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-01

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2012 and 2011, several receipts and disbursements were not posted into the correct fund or accurate receipt and disbursement classifications based on the source of the receipt or nature of the disbursement. The following posting errors were noted:

- Permissive sales tax receipt was improperly posted to the Street Construction, Maintenance and Repair and State Highway Funds instead of the Permissive Tax Fund.
- Motor vehicle license tax receipt was improperly posted as Property and Other Local Taxes in the General Fund instead of Intergovernmental in the Street Construction, Maintenance and Repair Fund.
- Debt proceeds were not recorded for three new OPWC loans.
- Grant funding from OPWC paid directly to vendors was not recorded.
- Refund checks from vendors were improperly posted as Special Assessments and Intergovernmental instead of Miscellaneous.
- Debt principal payments were improperly posted as Transportation instead of Principal Retirement.
- Council Hall Renovation Project expenditures were improperly posted as Other Financing Uses instead of Capital Outlay.
- Rollback receipts were improperly posted as Property and Other Local Taxes instead of Intergovernmental.
- Rental and road inspection permits were improperly posted as Intergovernmental instead of Fines, Licenses and Permits.
- Proceeds from the sale of a Village dump truck and mowers were improperly posted as Intergovernmental and Miscellaneous instead of Sale of Fixed Assets.
- Hillgrove Gateway Project expenditures were improperly posted as Transfers-Out instead of Transportation.
- Building deposit activity was not properly recorded in an agency fund.
- Interest receipts and service fees from the building deposit bank account were not recorded as Earnings on Investments and General Government, respectively, in the General Fund.

Not posting receipts and disbursements accurately resulted in the financial statements requiring several adjustments and reclassifications. The financial statements reflect all adjustments and reclassifications, and the client has made all adjustments to the system.

We recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

Management's Response – These items will be highlighted and kept on my desk to ensure these items will be properly posted.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2012-02

Material Weakness

Building Deposit Agency Fund

During 2012 and 2011, the Village did not record receipts related to building deposits in the Village's receipts ledger. Building deposit funds are maintained in a separate bank account and reconciliations of building deposit activity to the Village's bank account balances were not completed.

These weaknesses could allow recording errors and irregularities to occur and remain undetected. Adjustments were made to the Village's books to properly reflect the building deposit activity.

We recommend the Village establish a separate Building Deposit Agency Fund, and that the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Village Council for the Council's review and use in managing the Village. The Fiscal Officer should reconcile activity entered in the receipts ledger to the supporting documentation.

Management's Response – Agency Fund has been established with the help of the auditor.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Posting Receipts	No	Not Corrected; Repeated as Finding 2012-01
2010-002	Building Deposit Agency Fund	No	Not Corrected; Repeated as Finding 2012-02



Dave Yost • Auditor of State

VILLAGE OF NORTH BEND

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 13, 2013**