



Mary Taylor, CPA  
Auditor of State



VILLAGE OF NORTH BEND  
HAMILTON COUNTY

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**Mary Taylor, CPA**  
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

May 21, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of North Bend, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of North Bend, Hamilton County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

May 21, 2008



**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, 2006**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Local Taxes	\$202,311	\$24,667		\$226,978
Intergovernmental	57,733	49,073	\$105,638	212,444
Special Assessments		7,572		7,572
Charges for Services	70	490		560
Fines, Licenses and Permits	17,807			17,807
Earnings on Investments	13,019	1,185		14,204
Miscellaneous	3,851			3,851
	<u>294,792</u>	<u>82,987</u>	<u>105,638</u>	<u>483,417</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	107,490	142		107,632
Security of Persons and Property	82,022	83,748		165,770
Public Health Services	783			783
Leisure Time Activities	877	279		1,156
Community Environment	5,962			5,962
Basic Utility Service	11,473	870		12,343
Transportation		66,318		66,318
Capital Outlay		20,865	105,638	126,503
	<u>208,607</u>	<u>172,222</u>	<u>105,638</u>	<u>486,467</u>
Total Receipts Over/(Under) Disbursements	<u>86,185</u>	<u>(89,235)</u>	<u>0</u>	<u>(3,050)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In		59,339		59,339
Transfers-Out	(59,339)			(59,339)
Advances-In	3,590	3,590		7,180
Advances-Out	(3,590)	(3,590)		(7,180)
Other Financing Uses	(2,079)			(2,079)
	<u>(61,418)</u>	<u>59,339</u>	<u>0</u>	<u>(2,079)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	24,767	(29,896)	0	(5,129)
Fund Cash Balances, January 1	<u>437,938</u>	<u>85,576</u>	<u>0</u>	<u>523,514</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$462,705</u></b>	<b><u>\$55,680</u></b>	<b><u>\$0</u></b>	<b><u>\$518,385</u></b>
Reserve for Encumbrances, December 31	<u>\$930</u>	<u>\$1,042</u>	<u>\$0</u>	<u>\$1,972</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, 2005**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$193,166	\$22,294	\$215,460
Intergovernmental	94,557	109,924	204,481
Special Assessments		10,869	10,869
Charges for Services	667		667
Fines, Licenses and Permits	16,168		16,168
Earnings on Investments	7,528	2,052	9,580
Miscellaneous	5,370	300	5,670
	<b>317,457</b>	<b>145,439</b>	<b>462,895</b>
<b>Cash Disbursements:</b>			
Current:			
General Government	96,731	544	97,275
Security of Persons and Property	75,822	85,518	161,340
Public Health Services	736		736
Leisure Time Activities	1,712		1,712
Community Environment	4,100		4,100
Basic Utility Service	9,856		9,856
Transportation		74,815	74,815
Capital Outlay		5,797	5,797
	<b>188,957</b>	<b>166,675</b>	<b>355,631</b>
Total Cash Disbursements	<b>188,957</b>	<b>166,675</b>	<b>355,631</b>
Total Receipts Over/(Under) Disbursements	<b>128,500</b>	<b>(21,236)</b>	<b>107,264</b>
<b>Other Financing Receipts / (Disbursements):</b>			
Transfers-In		69,549	69,549
Transfers-Out	(69,549)		(69,549)
	<b>(69,549)</b>	<b>69,549</b>	<b>0</b>
Total Other Financing Receipts / (Disbursements)	<b>(69,549)</b>	<b>69,549</b>	<b>0</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<b>58,951</b>	<b>48,313</b>	<b>107,264</b>
Fund Cash Balances, January 1	<b>378,987</b>	<b>37,263</b>	<b>416,250</b>
<b>Fund Cash Balances, December 31</b>	<b>\$437,938</b>	<b>\$85,576</b>	<b>\$523,514</b>
Reserve for Encumbrances, December 31	<b>\$626</b>	<b>\$1,079</b>	<b>\$1,705</b>

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

**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**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, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides road maintenance. The Village contracts with the Hamilton County Sheriff's department to provide security of persons and property. The Village contracts with Miami Township to provide fire protection services.

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. Cash 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.

The Village values certificates of deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

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

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Capital Projects Grants Fund – This fund receives grants from the Ohio Public Works Commission and Hamilton County for road repairs.

There are no budgeted receipts and appropriation authority for the 2006 Capital Project fund due to this being created to account for payments directly to vendors on behalf of the Village and was not included in the official budget.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for items that should have been encumbered.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. 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.

**G. 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 Cash**

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

	2006	2005
Demand deposits	\$213,347	\$373,514
Certificates of deposit	305,038	150,000
Total deposits	518,385	523,514

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

**3. Budgetary Activity**

Budgetary activity for the years ending 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$254,083	\$294,792	\$40,709
Special Revenue	157,061	142,326	(14,735)
Capital Projects	0	105,638	105,638
Total	\$411,144	\$542,756	\$131,612

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$422,851	\$270,955	\$151,896
Special Revenue	223,385	173,264	50,121
Capital Projects	0	105,638	(105,638)
Total	\$646,236	\$549,857	\$96,379

**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity (Continued)**

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$202,848	\$317,457	\$114,609
Special Revenue	212,736	214,988	2,252
Total	\$415,584	\$532,445	\$116,861

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$342,678	\$259,132	\$83,546
Special Revenue	253,353	167,754	85,599
Total	\$596,031	\$426,886	\$169,145

Contrary to Ohio law, appropriations exceeded estimated resources in the Street Construction Maintenance and Repair fund by \$15,000 for the year ended December 31, 2005.

Contrary to Ohio law, for the year ended December 31, 2006, actual receipts were below estimated receipts, and the deficiency reduced available resources below the current level of appropriations in the Street Construction Maintenance and Repair Fund by \$18,755.

Contrary to Ohio law, disbursements plus encumbrances exceeded appropriations in the Capital Projects Fund by \$105,638 for the year ended December 31, 2006. Disbursements plus encumbrances exceeded appropriations in the Special Assessment Aston Oaks fund by \$1,536 for the year ended December 31, 2005.

Contrary to Ohio law, the budgetary system was not updated to provide ongoing and timely information.

**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  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**6. Risk Management**

**Risk Pool Membership**

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. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

**VILLAGE OF NORTH BEND  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. Risk Management (Continued)**

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$856. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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.



VILLAGE OF NORTH BEND  
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)

6. Risk Management (Continued)

<u>Contributions to PEP</u>	
2004	\$428
2005	\$428
2006	\$428

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

7. Noncompliance

Contrary to Ohio law, the Village made a transfer from the General Fund to the Street Construction Maintenance and Repair Fund on August 20, 2006 in the amount of \$42,849 and a transfer from the General Fund to the Street Construction Maintenance and Repair Fund on March 30, 2005 in the amount of \$69,549 without a resolution of the taxing authority.

Contrary to Ohio law, the Village did not establish a separate fund for the Ohio Public Works Commission activity in the amount of \$60,510, and the Community Development Block Grant activity in the amount of \$45,128 in the Capital Projects fund for the year 2006.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 the Village Council:

We have audited the financial statements of the Village of North Bend, Hamilton County, Ohio (the Village), as of and for the year ended December 31, 2006 and 2005, and have issued our report thereon dated May 21, 2008 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village of North Bend because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that may be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated May 21, 2008.

### **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, providing an opinion 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-003 through 2006-007.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 21, 2008.

We intend this report solely for the information and use of management and Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

May 21, 2008

**VILLAGE OF NORTH BEND  
HAMILTON COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-001**

**Noncompliance**

**Ohio Administrative Code, Section 117-2-02(C)(1)**, state that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The budgetary financial accounting system is not updated throughout the year to reflect amendments to estimated receipts and appropriations. The estimated receipts per the budgetary system generated revenue budget do not agree to the amounts adopted by the Council at December 31, 2005 and December 31, 2006. The appropriations per the budgetary financial accounting system do not agree to the amounts adopted by the Council at December 31, 2005.

The Certificate of Estimated Resources, Amended Certificates, the Appropriations Resolution, and amendments to appropriations are budgeting tools for the Village. When the general ledger is not updated to reflect current budgeted appropriations and estimated receipts, it restricts the Village's ability to effectively monitor the official budget. The Village should input the budgetary appropriations and estimated receipts into a budgetary financial accounting system and update their records throughout the fiscal year for all amendments.

**Estimated Receipts at December 31, 2006**

<b>Fund</b>	<b>Board Approved</b>	<b>Budget System</b>	<b>Variance</b>
General (1000)	\$254,083	\$270,573	\$(16,490)
Street Construction Maintenance and Repair (2011)	115,329	149,958	(34,629)

**Estimated Receipts at December 31, 2005**

<b>Fund</b>	<b>Board Approved</b>	<b>Budget System</b>	<b>Variance</b>
General (1000)	\$202,848	\$272,397	\$(69,549)

**Appropriations at December 31, 2005**

<b>Fund</b>	<b>Board Approved</b>	<b>Budget System</b>	<b>Variance</b>
General Fund (1000)	\$342,678	\$412,229	\$(69,549)
Street Construction Maintenance and Repair (2011)	182,873	167,873	15,000
Special Assessment - Aston Oaks (2403)	12,000	20,605	(8,605)

This was also reported in our audit of the 2003-2004 financial statements.

## FINDING NUMBER 2006-002

### Significant Deficiency

#### Accounting for Taxes and Intergovernmental Receipts

Monitoring controls are procedures and supervisory activities performed by management to help ensure that management's objectives are being achieved, including the objective of assuring accurate and reliable financial reports for external reporting purposes. Effective monitoring controls should enable management to identify misclassifications, errors and omissions in financial reports.

In the course of preparing the financial statements, various errors occurred, including the following:

- Homestead and Rollback revenues in the amount of \$46,767 for the year 2006 and \$28,640 for the year 2005 were improperly posted to tax revenue instead of intergovernmental revenue in the General fund; Homestead and Rollback revenues in the amount of \$161 for the year 2006 and \$2,806 for the year 2005 were improperly posted at the net amount received rather than at the gross amount; Homestead and Rollback revenues in the amount of \$22,909 for the year 2006 and \$2,682 for the year 2005 were improperly posted to the General fund and should have been posted to the Life Squad fund.
- Public Utility Reimbursement revenues in the amount of \$5,040 for both years 2006 and 2005 were improperly posted to charges for services instead of intergovernmental revenue in the General fund.
- 10K exemption revenues in the amount of \$451 for the year 2006 and \$618 for the year 2005 were improperly posted to tax revenue rather than intergovernmental revenue.
- Tangible Personal Property Tax revenues in the amount of \$7,181 for the year 2006 were improperly posted to intergovernmental revenue instead of tax revenue; Tangible Personal Property revenues in the amount of \$3,772 for the year 2006 was incorrectly posted at the net amount received rather than at the gross amount.
- Permissive Motor Vehicle License Tax revenue in the amount of \$6,616 for the year 2006 and \$6,552 for the year 2005 were improperly posted to tax revenue rather than intergovernmental revenue.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

## FINDING NUMBER 2006-003

### Noncompliance

**Ohio Revised Code, Section 5705.14(E)**, provides that money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority. *See also* 1989 Op. Att'y. Gen. No. 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds).

**FINDING NUMBER 2006-003  
 (Continued)**

Contrary to the above requirements a transfer from the General fund to the Street Construction Maintenance and Repair fund made on August 20, 2006 in the amount of \$42,849 and a transfer from the General fund to the Street Construction Maintenance and Repair fund made on March 30, 2005 in the amount of \$69,549 were made without a resolution of the taxing authority.

**FINDING NUMBER 2006-004**

**Noncompliance**

**Ohio Revised Code, Section 5705.39**, states, in part, that the total appropriation from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission. Appropriations exceeded total estimated resources in the following fund:

**December 31, 2005:**

<b>Fund</b>	<b>Estimated Resources</b>	<b>Appropriations</b>	<b>Variance</b>
Street Construction Maintenance and Repair (2011)	\$167,873	\$182,873	\$ (15,000)

Appropriating more resources than the Village is expecting for the year could result in negative fund balances and possibly lead to fiscal distress due to overspending. We recommend that the Village monitor budgetary activity monthly and make the necessary amendments to their official budgetary documents and system so that they reflect the actual budgetary situation. All amendments should be reviewed and approved by the Village Council.

This was also reported in our audit of the 2003-2004 financial statements.

**FINDING NUMBER 2006-005**

**Noncompliance**

**Ohio Revised Code, Section 5705.36(A)(4)**, requires that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

As of December 31, 2006, actual receipts were below estimated receipts, and the deficiency reduced available resources below the current appropriations in the following funds:

<b>FY 2006</b>	<b>Unencumbered 1/1/06 Fund Balance Plus Actual Receipts Plus Carryover Appropriations</b>	<b>Current Year Appropriations Plus Prior Year Appropriations</b>	<b>Variance</b>
Street Construction Maintenance & Repair	\$145,764	\$164,519	\$(18,755)

**FINDING NUMBER 2006-005**  
**(Continued)**

FY 2005	Unencumbered 1/1/05 Fund Balance Plus Actual Receipts Plus Carryover Appropriations	Current Year Appropriations Plus Prior Year Appropriations	Variance
Permissive Motor Vehicle License	\$16,606	\$18,000	\$(1,394)

We recommend that the Village periodically review and compare estimated and actual receipts and make necessary amendments thereto, to reduce the risk of appropriations exceeding available resources and the potential for negative fund balances.

**FINDING NUMBER 2006-006**

**Noncompliance**

**Ohio Revised Code, Section 5705.09(F)**, requires the Village to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Village's appropriations. The Village received Ohio Public Works Commission ("OPWC") and Community Development Block Grant ("CDBG") money during 2006 for various Capital Projects and did not establish funds to account for either the receipt or the disbursement of these funds. One fund should have been established during 2006; Capital Projects Grant fund.

As further discussed in Auditor of State Bulletin 2002-004, the fiscal officer shall record the appropriations in accordance with the terms and conditions of the grant or project agreement. In addition, prior to recording the appropriations, Ohio Revised Code Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

The fiscal officer did not record the Ohio Public Works grant disbursed to the Village under the State of Ohio issue II program or the Community Development Block grant disbursed to the Village under the U.S. Department of Housing and Urban Development program, nor was this grant money included in the appropriations by the Village Council for Fiscal Year 2006 [\$105,638]. The financials have been adjusted to reflect this activity.

In addition, the Village did not report this activity or establish a separate fund for the Ohio Public Works Commission activity in the amount of \$60,510 and Community Development Block Grant activity in the amount of \$45,128 for the year 2006.

This resulted in an understatement of the receipts and disbursements in the capital projects funds of the Village. The Village should review Ohio Revised Code section 5705.09 (F), and the Auditor of State Bulletin 2002-004 regarding "on behalf activity. They should also establish the required funds and properly reflect "on behalf" activity in the records of the Village.



**FINDING NUMBER 2006-007**

**Noncompliance**

**Ohio Revised Code, Section 5705.41(B)**, prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. At December 31, the Village's disbursements plus encumbrances exceeded appropriations in the following funds:

<u><b>FY 2006</b></u>		<u><b>Appropriations</b></u>	<u><b>Actual Disbursements Plus Encumbrances</b></u>	<u><b>Variance</b></u>
Capital Grant	Projects	\$0	\$105,638	\$(105,638)

<u><b>FY 2005</b></u>		<u><b>Appropriations</b></u>	<u><b>Actual Disbursements Plus Encumbrances</b></u>	<u><b>Variance</b></u>
Special Assessment	Aston Oaks (2403)	\$12,000	\$13,536	\$(1,536)

The Fiscal Officer should deny payment requests exceeding appropriations. The Fiscal Officer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

This was also reported in our audit of the 2003-2004 financial statements.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.





**Mary Taylor, CPA**  
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 12, 2008**