



**Auditor of State
Betty Montgomery**

VILLAGE OF BAINBRIDGE
ROSS COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Bainbridge
Ross County
118 East Main Street
Bainbridge, Ohio 45612

To the Village Council:

We have audited the accompanying financial statements of the Village of Bainbridge, Ross County, Ohio, (the "Village") as of and for the years ended December 31, 2003, and December 31, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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's financial transactions were processed using 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 that our audit provides a reasonable basis for our opinion.

As described Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Bainbridge, Ross County, Ohio, as of December 31, 2003, and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Village of Bainbridge
Ross County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, the Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 16, 2004

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY FUND TYPE:
FOR THE YEAR ENDED DECEMBER 31, 2003**

| | <u>Governmental Fund Types</u> | | | <u>Fiduciary Fund Type</u> | Totals (Memorandum Only) |
|-----------------------------------------------------|--------------------------------|----------------------------|-----------------------------|--------------------------------|-----------------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Expendable Trust</u> | |
| Cash Receipts: | | | | | |
| Property Tax and Other Local Taxes | \$19,586 | \$16,256 | \$0 | \$0 | \$35,842 |
| Intergovernmental Receipts | 66,776 | 32,104 | 0 | 0 | 98,880 |
| Charges for Services | 18,000 | 0 | 11,984 | 0 | 29,984 |
| Earnings on Investments | 4,563 | 1,955 | 0 | 0 | 6,518 |
| Miscellaneous | 643 | 206 | 0 | 5,000 | 5,849 |
| | <u>109,568</u> | <u>50,521</u> | <u>11,984</u> | <u>5,000</u> | <u>177,073</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 23,924 | 0 | 0 | 0 | 23,924 |
| Leisure Time Activities | 379 | 0 | 0 | 0 | 379 |
| Transportation | 0 | 20,821 | 0 | 0 | 20,821 |
| General Government | 43,464 | 308 | 0 | 0 | 43,772 |
| Capital Outlay | 8,250 | 0 | 0 | 0 | 8,250 |
| | <u>76,017</u> | <u>21,129</u> | <u>0</u> | <u>0</u> | <u>97,146</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | 33,551 | 29,392 | 11,984 | 5,000 | 79,927 |
| Fund Cash Balances, January 1 | 198,103 | 103,518 | 38,717 | 0 | 340,338 |
| Fund Cash Balances, December 31 | <u>\$231,654</u> | <u>\$132,910</u> | <u>\$50,701</u> | <u>\$5,000</u> | <u>\$420,265</u> |

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

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

| | Proprietary Fund Type |
|--------------------------------------------------------------------------------------------|----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$144,360 |
| Operating Cash Disbursements: | |
| Personal Services | 62,805 |
| Fringe Benefits | 21,113 |
| Contractual Services | 23,181 |
| Supplies and Materials | 10,465 |
| Capital Outlay | 46,152 |
| Total Operating Cash Disbursements | 163,716 |
| Operating (Loss) | (19,356) |
| Non-Operating Cash Disbursements: | |
| Debt Service- Principal | 1,638 |
| Debt Service- Interest | 3,609 |
| Other Non-Operating Cash Disbursements | 211 |
| Total Non-Operating Cash Disbursements | 5,458 |
| Excess of Receipts Over/(Under) Cash Disbursements and Non-Operating Cash Disbursements | (24,814) |
| Fund Cash Balances, January 1 | 203,095 |
| Fund Cash Balances, December 31 | \$178,281 |

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

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

| | Governmental Fund Types | | | Fiduciary Fund Type | Totals (Memorandum Only) |
|-----------------------------------------------------|-------------------------|--------------------|---------------------|------------------------|--------------------------------|
| | General | Special Revenue | Capital Projects | Expendable Trust | |
| Cash Receipts: | | | | | |
| Property Tax and Other Local Taxes | \$19,132 | \$14,269 | \$0 | \$0 | \$33,401 |
| Intergovernmental Receipts | 73,923 | 31,204 | 96 | 0 | 105,223 |
| Charges for Services | 14,000 | 0 | 11,618 | 0 | 25,618 |
| Earnings on Investments | 5,028 | 2,155 | 0 | 0 | 7,183 |
| Miscellaneous | 13,477 | 175 | 0 | 5,000 | 18,652 |
| Total Cash Receipts | 125,560 | 47,803 | 11,714 | 5,000 | 190,077 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 24,555 | 0 | 0 | 0 | 24,555 |
| Leisure Time Activities | 4,319 | 0 | 0 | 5,000 | 9,319 |
| Transportation | 0 | 39,794 | 0 | 0 | 39,794 |
| General Government | 46,817 | 284 | 0 | 0 | 47,101 |
| Capital Outlay | 98,788 | 12,750 | 0 | 0 | 111,538 |
| Total Cash Disbursements | 174,479 | 52,828 | 0 | 5,000 | 232,307 |
| Total Cash Receipts Over/(Under) Cash Disbursements | (48,919) | (5,025) | 11,714 | 0 | (42,230) |
| Fund Cash Balances, January 1 - Restated | 247,022 | 108,543 | 27,003 | 0 | 382,568 |
| Fund Cash Balances, December 31 | \$198,103 | \$103,518 | \$38,717 | \$0 | \$340,338 |

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

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

| | Proprietary Fund Type |
|--------------------------------------------------------------------------------------------------|----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$141,710 |
| Operating Cash Disbursements: | |
| Personal Services | 61,524 |
| Fringe Benefits | 17,721 |
| Contractual Services | 14,738 |
| Supplies and Materials | 11,154 |
| Capital Outlay | 2,356 |
| Total Operating Cash Disbursements | 107,493 |
| Operating Income | 34,217 |
| Non-Operating Cash Disbursements: | |
| Debt Service- Principal | 1,540 |
| Debt Service- Interest | 3,706 |
| Other Non-Operating Cash Disbursements | 407 |
| Total Non-Operating Cash Disbursements | 5,653 |
| Excess of Cash Receipts Over/(Under) Cash Disbursements and Non- Operating Cash Disbursements | 28,564 |
| Fund Cash Balances, January 1 - Restated | 174,531 |
| Fund Cash Balances, December 31 | \$203,095 |

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

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Bainbridge, Ross County, Ohio, (The "Village") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water utilities and park operations. The Village contracts with the Ross County Sheriff's department to provide security of persons and property. The Village appropriates monies from the fire levy fund to support a volunteer fire department. The volunteer fire department contracts to provide fire protection services to Paxton Township and Perry Township.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

Fire Levy Fund - This fund receives tax money and intergovernmental money to fund the volunteer fire department.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Capital Project Funds

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant Capital Projects Fund:

Sewage Treatment Construction Fund - This fund receives proceeds from water usage for the construction of a new sewer treatment plant.

4. Fiduciary Fund

Trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Fiduciary Fund:

David Meade Massie Trust Fund - This expendable trust fund accounts for grant received from the David Meade Massie Trust fund for park and village improvements.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

F. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | | |
|-----------------|-----------|-----------|
| | 2003 | 2002 |
| Demand deposits | \$598,546 | \$543,433 |

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

| 2003 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$109,568 | \$109,568 | \$0 |
| Special Revenue | 50,521 | 50,521 | 0 |
| Capital Projects | 11,984 | 11,984 | 0 |
| Enterprise | 144,360 | 144,360 | 0 |
| Fiduciary | 5,000 | 5,000 | 0 |
| Total | \$321,433 | \$321,433 | \$0 |

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|-------------------------------------------------------|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$286,600 | \$76,017 | \$210,583 |
| Special Revenue | 104,900 | 21,129 | 83,771 |
| Capital Projects | 35,000 | 0 | 35,000 |
| Enterprise | 251,747 | 169,174 | 82,573 |
| Total | \$678,247 | \$266,320 | \$411,927 |

| 2002 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$125,575 | \$125,560 | (\$15) |
| Special Revenue | 47,915 | 47,803 | (112) |
| Capital Projects | 11,714 | 11,714 | 0 |
| Enterprise | 141,709 | 141,710 | 1 |
| Fiduciary | 5,000 | 5,000 | 0 |
| Total | \$331,913 | \$331,787 | (\$126) |

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|-------------------------------------------------------|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$225,654 | \$174,479 | \$51,175 |
| Special Revenue | 118,976 | 52,828 | 66,148 |
| Enterprise | 166,167 | 113,146 | 53,021 |
| Fiduciary | 5,000 | 5,000 | 0 |
| Total | \$515,797 | \$345,453 | \$170,344 |

4. PROPERTY TAX

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

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

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

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

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

| | Principal | Interest Rate |
|---------------------------------------|-----------|---------------|
| Ohio Water Development Authority Loan | \$55,598 | 6.32% |

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

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

| | OWDA Loan |
|--------------------------|-----------|
| Year ending December 31: | |
| 2004 | \$5,247 |
| 2005 | 5,247 |
| 2006 | 5,247 |
| 2007 | 5,247 |
| 2008 | 5,247 |
| 2009-2013 | 26,233 |
| 2014-2018 | 26,233 |
| 2019-2022 | 15,740 |
| Total | \$94,441 |

6. RETIREMENT SYSTEMS

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

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). The Village pays an annual contribution to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Village's can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 Village.

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:

| <u>Casualty Coverage</u> | <u>2003</u> | <u>2002</u> |
|--------------------------|---------------------|---------------------|
| Assets | \$25,288,098 | \$20,174,977 |
| Liabilities | (12,872,985) | (8,550,749) |
| Retained earnings | <u>\$12,415,113</u> | <u>\$11,624,228</u> |

| <u>Property Coverage</u> | <u>2003</u> | <u>2002</u> |
|--------------------------|--------------------|--------------------|
| Assets | \$3,158,813 | \$2,565,408 |
| Liabilities | (792,061) | (655,318) |
| Retained earnings | <u>\$2,366,752</u> | <u>\$1,910,090</u> |

The Village also provides health insurance and dental and vision coverage to full-time employees and through private carriers.

VILLAGE OF BAINBRIDGE
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

8. Restatement

The Village restated the Other Capital Project Fund and the Water Operating Enterprise Fund. The Village posted a grant reimbursement check in error into the Other Capital Project Fund instead of the Water Operating Enterprise fund in the amount of \$9,155. As a result, this changed the beginning fund balances for January 1, 2002 as follows:

| | |
|-------------------------------------|-------------------|
| Capital Project Funds: | |
| December 31, 2001 ending balance | \$ 36,158 |
| Restatement amount | <u>(9,155)</u> |
| Restated balance at January 1, 2002 | <u>\$ 27,003</u> |
| Enterprise Funds: | |
| December 31, 2001 ending balance | \$ 165,376 |
| Restatement amount | <u>9,155</u> |
| Restated balance at January 1, 2002 | <u>\$ 174,531</u> |

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Bainbridge
Ross County
118 East Main Street
Bainbridge, Ohio 45612

To the Village Council:

We have audited the accompanying financial statements of the Village of Bainbridge, Ross County, Ohio, (the "Village") as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated July 16, 2004, wherein we noted that the Village's financial transactions were processed using 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 conduct the audit of the Village 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 16, 2004

VILLAGE OF BAINBRIDGE
ROSS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002

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

| | |
|----------------|----------|
| Finding Number | 2003-001 |
|----------------|----------|

Noncompliance Citation

Certifying Funds Prior to Expenditure

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(Continued)**

| | |
|-----------------------|-----------------------------|
| Finding Number | 2003-001 (Continued) |
|-----------------------|-----------------------------|

Noncompliance Citation (Continued)

Certifying Funds Prior to Expenditure (Continued)

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Fifteen percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

| | |
|-----------------------|-----------------|
| Finding Number | 2003-002 |
|-----------------------|-----------------|

Noncompliance Citation

Competitive Bidding – Performance Site Management

Ohio Rev. Code Section 731.14 states that when any expenditure, other than the compensation of persons employed in the Village, exceeds \$15,000 (\$25,000 effective 9/26/03), such contracts shall be in writing and made with the lowest and best bidder after advertising for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the Village.

The Village made the following payments to Performance Site Management for the paving of roads:

| Check Number | Date | Amount |
|--------------|----------|----------|
| 7050 | 10/15/02 | \$12,750 |
| 7093 | 11/7/02 | \$12,400 |
| 7115 | 11/14/02 | \$14,250 |
| 7154 | 12/5/02 | \$11,350 |

VILLAGE OF BAINBRIDGE
ROSS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002

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

| | |
|----------------|----------------------|
| Finding Number | 2003-002 (Continued) |
|----------------|----------------------|

Noncompliance Citation (Continued)

Competitive Bidding – Performance Site Management (Continued)

While each of these transactions was individually below the \$15,000 threshold for competitive bidding procedures in effect at the time, the total of the project was \$50,750. Based upon review of the estimates which were all received from Performance Site Management in the same proposal, these expenditures should have been awarded as a single project and awarded to the lowest bidder. No competitive bidding procedures took place, however.

We recommend that the Village subject road repair and maintenance projects in excess of threshold amounts to bidding procedures, as required by law.

| | |
|----------------|----------|
| Finding Number | 2003-003 |
|----------------|----------|

Noncompliance Citation

Prevailing Wage- Performance Site Management

Ohio's Prevailing Wage Law (Ohio Rev. Code Chapter 4115) requires, with certain exceptions, that any public authority wishing to engage in the construction of a public improvement ensure that the workers employed on the project are paid the "prevailing rate of wages." The law applies to any new construction of a public improvement fairly estimated to cost more than \$65,843, and any renovation of a public improvement fairly estimated to cost more than \$19,752 and if the construction or renovation is performed by other than full-time employees of the public authority who are not in the classified civil service of the public authority. Specifically, Ohio Rev. Code Sections 4115.04 through 4115.06 require every public authority authorized to contract for or construct with its own forces a public improvement, before advertising for bids or undertaking such construction with its own forces, to have the Ohio Department of Commerce determine the prevailing rates of wages for the classes of work called for by the public improvement in the locality where such work is to be performed. This schedule of wages is to be attached to and made a part of the specifications for the work and shall be printed on the bidding blanks when the work is done by contract.

The Village entered into an agreement with Performance Site management to perform road paving repair work. Furthermore, the Village did not require Performance Site management to agree to pay prevailing wages for the Road Paving Project. The expenditures for this project was \$50,750, during the fiscal year ending December 31, 2002.

We recommend the Village require all contractors to agree to pay prevailing wages for contracts involving labor on a new construction or renovation project.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|------------------------------------------------------------------------------------|------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| 2001-30771-001 | Ohio Rev. Code Section 5705.41(D) Failure to Certify funds prior to expenditure | No | The Village was more consistent in certifying funds prior to expenditure. However, this is repeated as finding number 2003-001. |



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VILLAGE OF BAINBRIDGE

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 28, 2004**