

***CITY OF ST. BERNARD, OHIO***

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**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2004**

*Prepared by:*  
**Walter T. St. Clair**  
**City Auditor**





**Auditor of State  
Betty Montgomery**

Members of City Council  
City of St. Bernard  
110 Washington Avenue  
St. Bernard, Ohio 45217

We have reviewed the *Independent Auditor's Report* of the City of St. Bernard, Hamilton County, prepared by Bastin & Company, LLC, for the audit period January 1, 2004 to December 31, 2004. 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.

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 City of St. Bernard is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 3, 2005

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# Bastin & Company, LLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

City of St. Bernard  
Hamilton County  
110 Washington Avenue  
St. Bernard, Ohio 45217

To the Members of City Council

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of St. Bernard, Ohio, (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of St. Bernard, Ohio, as of December 31, 2004, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2005 on our consideration of the City'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Bastin & Company, L L C*

Cincinnati, Ohio  
August 24, 2005



## **CITY OF ST. BERNARD, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2004***

***Unaudited***

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The discussion and analysis of the City of St. Bernard's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

### **FINANCIAL HIGHLIGHTS**

**Key financial highlights for 2004 are as follows:**

- ❑ Net assets decreased \$1.8 million, which represents a 12.5% decrease from 2003.
- ❑ General revenues accounted for \$8.3 million in revenue or 89% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$987,345 or 11% of total revenues of \$9.2 million.
- ❑ The City had \$11.0 million in expenses related to governmental activities; only \$987,345 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$8.3 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$8.6 million in revenues and \$9.5 million in expenditures. The general fund's fund balance declined \$1.2 million to \$3.6 million. The decrease in fund balance is caused by a continuation in the trend of previous years in which expenditures exceeded revenues. This is despite a reduction in expenditures and an increase in revenues in comparison with prior years.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

# CITY OF ST. BERNARD, OHIO

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2004*

*Unaudited*

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## **Government-Wide Financial Statements**

The government-wide statements report information about the City as a whole using accepting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets

The government-wide financial statements of the City reflect the following category of its activities:

- Governmental Activities – All of the City's program's and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, basic utility services, transportation, general government and other expenditures.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

**Governmental Funds** – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets.

## **CITY OF ST. BERNARD, OHIO**

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2004*

*Unaudited*

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### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The following table provides a comparison of the City's net assets as of December 31, 2004 and 2003:

	Governmental Activities	
	2004	2003
Current and other assets	\$6,120,165	\$7,929,488
Capital assets, Net	14,823,219	14,727,221
Total assets	20,943,384	22,656,709
Long-term debt outstanding	5,137,987	3,031,916
Other liabilities	3,419,701	5,476,839
Total liabilities	8,557,688	8,508,755
Net assets		
Invested in capital assets, net of related debt	7,508,219	10,119,683
Restricted	980,385	1,717,215
Unrestricted	3,897,092	2,311,056
Total net assets	<u>\$12,385,696</u>	<u>\$14,147,954</u>

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## CITY OF ST. BERNARD, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2004**

**Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2004 and 2003:

	Governmental Activities	
	2004	2003
Revenues		
Program revenues:		
Charges for Services and Sales	\$210,358	\$85,528
Operating Grants and Contributions	255,319	71,527
Capital Grants and Contributions	521,668	0
General revenues:		0
Taxes	6,843,244	7,528,455
Grants and Entitlements not Restricted to Specific Programs	1,064,376	687,480
Investment Earnings	51,406	139,051
Miscellaneous	320,465	152,884
Total revenues	9,266,836	8,664,925
Program Expenses		
Security of Persons and Property	4,815,531	5,066,559
Public Health and Welfare Services	127,741	150,658
Leisure Time Activities	728,877	777,700
Basic Utility Services	869,040	979,910
Transportation	926,615	1,028,520
General Government	2,158,810	1,863,269
Other Expenditures	1,304,572	1,033,672
Debt Service:		
Interest and Fiscal Charges	97,908	87,330
Total expenses	11,029,094	10,987,618
Total Change in Net Assets	(1,762,258)	(2,322,693)
Beginning Net Assets	14,147,954	16,470,647
Ending Net Assets	\$12,385,696	\$14,147,954

### **Governmental Activities**

Net assets of the City's governmental activities decreased by \$1,762,258. This was due to a combination of factors including a decrease in the City's property tax and earned income tax collections, a decline in investment earnings due to lower levels of federal securities being carried by the City, and the continuation of revenues exceeding expenditures. Also depreciation expense of \$966,627 contributed to the decrease of the governmental net assets.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

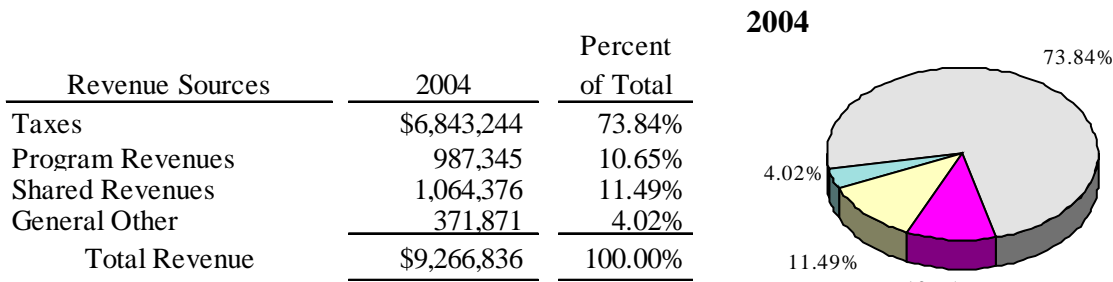
## CITY OF ST. BERNARD, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2004**

**Unaudited**

The City also receives an income tax. The income tax is based on 2.0% of all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on income of residents earned outside the City.

Taxes made up 73.84% of revenues for governmental activities for the City in fiscal year 2004. The City's reliance upon tax revenues is demonstrated by the following graph:



### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$2,458,645, which is an increase from last year's balance of \$2,089,378. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2004 and 2003:

	Fund Balance/(Deficit) December 31, 2004	Fund Balance/(Deficit) December 31, 2003	Increase (Decrease)
General	\$3,586,036	\$4,840,402	(\$1,254,366)
Master Plan			
Capital Improvement	(1,807,847)	(1,235,475)	(572,372)
Capital Improvement	0	(2,165,336)	2,165,336
Other Governmental	680,456	649,787	30,669
Total	<u>\$2,458,645</u>	<u>\$2,089,378</u>	<u>\$369,267</u>

## **CITY OF ST. BERNARD, OHIO**

***Management's Discussion and Analysis  
For the Year Ended December 31, 2004***

***Unaudited***

General Fund – The City's General Fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2004 Revenues	2003 Revenues	Increase (Decrease)
Taxes	\$6,843,960	\$7,401,984	(\$558,024)
Intergovernmental Revenues	1,812,134	695,824	1,116,310
Charges for Services	175,540	42,135	133,405
Licenses and Permits	41,005	36,440	4,565
Investment Earnings	65,498	172,757	(107,259)
Fines and Forfeitures	45,669	43,164	2,505
All Other Revenue	268,609	94,250	174,359
Total	\$9,252,415	\$8,486,554	\$765,861

General Fund revenues in 2004 increased approximately 9.02% compared to revenues in fiscal year 2003. The most significant factor is the increase in intergovernmental revenues. This is due to the receipt of outside money from Cincinnati Water Works for the Washington Avenue Sewer Project and also an increase in inheritance tax receipts.

	2004 Expenditures	2003 Expenditures	Increase (Decrease)
Security of Persons and Property	\$4,318,743	\$4,656,267	(\$337,524)
Public Health and Welfare Services	126,669	150,069	(23,400)
Leisure Time Activities	371,883	420,552	(48,669)
Basic Utility Services	869,040	979,910	(110,870)
Transportation	259,703	265,067	(5,364)
General Government	2,204,221	2,493,627	(289,406)
Other Expenditures	1,304,572	1,033,672	270,900
Total	\$9,454,831	\$9,999,164	(\$544,333)

## **CITY OF ST. BERNARD, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2004***

***Unaudited***

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General Fund expenditures decreased by \$544,333 over the prior year due to lower costs associated with the acquisition of capital assets in 2004 and lower amounts paid in overtime for police and fire personnel.

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2004 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$7.0 million significantly changed over the original budget estimates of \$8.5 million. The variances between the original budget, the final budget, and the actual results are related to the amending of the official certificate. The original certificate was amended to account for higher than normal needs for resources in the Swimming Pool Fund, the Master Plan Fund, and the General Bond Retirement Fund. The actual results differed when the need for resources from the other funds was not as great as initially thought. The General Fund had an adequate fund balance to cover expenditures.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of fiscal year 2004 the City had \$14,823,219 net of accumulated depreciation invested in land, land improvements, buildings, infrastructure, equipment and furniture, and vehicles. The following table shows fiscal year 2004 and 2003 balances:

	Governmental Activities		Increase (Decrease)
	2004	2003	
Land	\$3,174,953	\$3,116,353	\$58,600
Land Improvements	4,311,201	4,280,648	30,553
Buildings and Improvements	4,381,344	4,350,596	30,748
Infrastructure	9,704,255	8,878,776	825,479
Machinery and Equipment	4,321,457	4,204,693	116,764
Less: Accumulated Depreciation	(11,069,991)	(10,103,845)	(966,146)
Totals	<u>\$14,823,219</u>	<u>\$14,727,221</u>	<u>\$95,998</u>

The primary increase occurred in infrastructure. The increase in infrastructure is mainly the result of the completion of the Washington Avenue Sewer Project.

## **CITY OF ST. BERNARD, OHIO**

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**Management's Discussion and Analysis  
For the Year Ended December 31, 2004**

**Unaudited**

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### **Debt**

At December 31, 2004, the City had \$2,205,000 in bonds outstanding, \$433,817 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Governmental Activities:		
General Obligation Bonds	\$2,205,000	\$97,538
Ohio Public Works Commission Loans	40,718	42,532
Police/Fire Accrued Pension	860,487	874,120
Compensated Absences	<u>2,031,782</u>	<u>2,017,726</u>
Total Governmental Activities	<u>\$5,137,987</u>	<u>\$3,031,916</u>

Additional information on the City's long-term debt can be found in Note 11.

### **ECONOMIC FACTORS**

The City's general fund budget for 2004 is very conservative. Budgeted expenditures are \$400,000 less than 2003 expenditures, but it is still expected to exceed revenues by approximately \$1,500,000, which can be covered by the City's reserves. The City formed a Community Improvement Corporation (CIC) in 2003. The CIC is a not-for-profit corporation organized in the manner provided in section 1702.04 of the Ohio Revised Code (ORC); and, as provided in sections 1724.01 through 1724.09 of the ORC, its sole purpose is advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of the community. In April 2004 the CIC selected a developer and the City will be negotiating with that firm for the development of a City-owned 8.5 acre parcel in the City's industrial area. As of December 31, 2004, the CIC has no funding and has had no financial transactions.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Walter T. St. Clair, City Auditor of the City of St. Bernard.



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**CITY OF ST. BERNARD, OHIO**

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**Statement of Net Assets**  
**December 31, 2004**

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	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 71,968
Cash and Cash Equivalents with Fiscal Agent	166,967
Investments	3,411,200
Receivables:	
Taxes	1,607,538
Accounts	208,044
Intergovernmental	564,855
Interest	37,931
Inventory of Supplies at Cost	29,775
Prepaid Items	21,887
Capital Assets:	
Capital Assets Not Being Depreciated	3,174,953
Capital Assets Being Depreciated, Net	11,648,266
<b>Total Assets</b>	<b>20,943,384</b>
<b>Liabilities:</b>	
Accounts Payable	77,271
Accrued Wages and Benefits	120,233
Intergovernmental Payable	237,981
Claims Payable	128,416
Deferred Revenue	694,634
Accrued Interest Payable	51,166
General Obligation Notes Payable	2,110,000
Noncurrent liabilities:	
Due within one year	461,141
Due in more than one year	4,676,846
<b>Total Liabilities</b>	<b>8,557,688</b>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	7,508,219
Restricted For:	
Capital Projects	244,229
Other Purposes	736,156
Unrestricted (Deficit)	3,897,092
<b>Total Net Assets</b>	<b>\$ 12,385,696</b>

See accompanying notes to the basic financial statements

**CITY OF ST. BERNARD, OHIO**

**Statement of Activities**  
**For the Year Ended December 31, 2004**

		Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Security of Persons and Property	\$ 4,815,531	\$ 62,646	\$ 26,934	\$ 0	\$ (4,725,951)
Public Health and Welfare Services	127,741	12,458	1,486	0	(113,797)
Leisure Time Activities	728,877	53,262	0	0	(675,615)
Basic Utility Services	869,040	28,029	0	0	(841,011)
Transportation	926,615	32,379	226,899	521,668	(145,669)
General Government	2,158,810	21,584	0	0	(2,137,226)
Other Expenditures	1,304,572	0	0	0	(1,304,572)
Interest and Fiscal Charges	97,908	0	0	0	(97,908)
<b>Total Governmental Activities</b>	<b>11,029,094</b>	<b>210,358</b>	<b>255,319</b>	<b>521,668</b>	<b>(10,041,749)</b>
<b>Totals</b>	<b>\$ 11,029,094</b>	<b>\$ 210,358</b>	<b>\$ 255,319</b>	<b>\$ 521,668</b>	<b>(10,041,749)</b>
<b>General Revenues</b>					
					6,843,244
Taxes					1,064,376
Grants and Entitlements not Restricted to Specific Programs					51,406
Investment Earnings					320,465
Miscellaneous					8,279,491
Total General Revenues					(1,762,258)
Change in Net Assets					14,147,954
Net Assets Beginning of Year					\$ 12,385,696
Net Assets End of Year					

See accompanying notes to the basic financial statements

**CITY OF ST. BERNARD, OHIO**

**Balance Sheet  
Governmental Funds  
December 31, 2004**

	General	Master Plan Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 54,409	\$ 6,711	\$ 10,848	\$ 71,968
Cash and Cash Equivalents with Fiscal Agent	0	0	166,967	166,967
Investments	2,600,297	329,972	480,931	3,411,200
Taxes	1,501,310	0	106,228	1,607,538
Accounts	207,267	777	0	208,044
Intergovernmental	490,148	0	74,707	564,855
Interest	37,931	0	0	37,931
Inventory of Supplies, at Cost	29,775	0	0	29,775
Prepaid Items	21,887	0	0	21,887
<b>Total Assets</b>	<b>\$ 4,943,024</b>	<b>\$ 337,460</b>	<b>\$ 839,681</b>	<b>\$ 6,120,165</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 63,504	\$ 8,145	\$ 5,622	\$ 77,271
Accrued Wages and Benefits Payable	118,472	1,761	0	120,233
Intergovernmental Payable	237,981	0	0	237,981
Claims Payable	128,416	0	0	128,416
Deferred Revenue	797,377	0	153,603	950,980
Accrued Interest Payable	0	25,401	0	25,401
General Obligation Notes Payable	0	2,110,000	0	2,110,000
Compensated Absences Payable	11,238	0	0	11,238
<b>Total Liabilities</b>	<b>1,356,988</b>	<b>2,145,307</b>	<b>159,225</b>	<b>3,661,520</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	2,580	0	0	2,580
Reserved for Prepaid Items	21,887	0	0	21,887
Reserved for Supplies Inventory	29,775	0	0	29,775
Reserved for Debt Service	0	0	525	525
Reserved for CDBG Loans	0	0	166,967	166,967
General Fund	3,531,794	0	0	3,531,794
Special Revenue Funds	0	0	512,964	512,964
Capital Project Funds	0	(1,807,847)	0	(1,807,847)
<b>Total Fund Balances</b>	<b>3,586,036</b>	<b>(1,807,847)</b>	<b>680,456</b>	<b>2,458,645</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,943,024</b>	<b>\$ 337,460</b>	<b>\$ 839,681</b>	<b>\$ 6,120,165</b>

See accompanying notes to the basic financial statements

**CITY OF ST. BERNARD, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2004***

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**Total Governmental Fund Balances** \$ 2,458,645

***Amounts reported for governmental activities in the  
statement of net assets are different because***

Capital Assets used in governmental activities are not  
resources and therefore are not reported in the funds. 14,823,219

Other long-term assets are not available to pay for current-  
period expenditures and therefore are deferred in the funds. 256,346

Long-term liabilities, including bonds payable, are not due  
and payable in the current period and therefore are not  
reported in the funds.

General Obligation Bonds Payable	(2,205,000)
Ohio Public Works Commission Loans Payable	(40,718)
Police/Fire Accrued Pension Liability	(860,487)
Compensated Absences Payable	(2,020,544)
Accrued Interest Payable	(25,765)

(5,152,514)

***Net Assets of Governmental Activities***

\$ 12,385,696

See accompanying notes to the basic financial statements

**CITY OF ST. BERNARD, OHIO**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2004**

	General	Master Plan Capital Improvement	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 6,739,760	\$ 0	\$ 0	\$ 104,200	\$ 6,843,960
Intergovernmental Revenues	1,280,989	288,135	0	243,010	1,812,134
Charges for Services	153,384	0	0	22,156	175,540
Licenses and Permits	41,005	0	0	0	41,005
Investment Earnings	64,304	0	0	1,194	65,498
Fines and Forfeitures	41,400	0	0	4,269	45,669
All Other Revenue	267,808	801	0	0	268,609
<b>Total Revenue</b>	<b>8,588,650</b>	<b>288,936</b>	<b>0</b>	<b>374,829</b>	<b>9,252,415</b>
<b>Expenditures:</b>					
Current:					
Security of Persons and Property	4,318,743	0	0	133,822	4,452,565
Public Health and Welfare Services	126,669	0	0	0	126,669
Leisure Time Activities	371,883	0	0	163,579	535,462
Basic Utility Services	869,040	0	0	0	869,040
Transportation	259,703	0	0	183,923	443,626
General Government	2,204,221	0	0	0	2,204,221
Other Expenditures	1,304,572	0	0	0	1,304,572
Capital Outlay	0	965,172	0	0	965,172
Debt Service:					
Principal Retirement	0	0	0	19,352	19,352
Interest & Fiscal Charges	0	41,601	29,907	5,519	77,027
<b>Total Expenditures</b>	<b>9,454,831</b>	<b>1,006,773</b>	<b>29,907</b>	<b>506,195</b>	<b>10,997,706</b>
Excess (Deficiency) of Revenues Over Expenditures	(866,181)	(717,837)	(29,907)	(131,366)	(1,745,291)
<b>Other Financing Sources (Uses):</b>					
General Obligation Bonds Issued	125,000	0	0	2,000,000	2,125,000
Transfers In	0	145,465	2,195,243	387,283	2,727,991
Transfers Out	(502,743)	0	0	(2,225,248)	(2,727,991)
<b>Total Other Financing Sources (Uses)</b>	<b>(377,743)</b>	<b>145,465</b>	<b>2,195,243</b>	<b>162,035</b>	<b>2,125,000</b>
Net Change in Fund Balances	(1,243,924)	(572,372)	2,165,336	30,669	379,709
<b>Fund Balances (Deficits) at Beginning of Year</b>	<b>4,840,402</b>	<b>(1,235,475)</b>	<b>(2,165,336)</b>	<b>649,787</b>	<b>2,089,378</b>
Increase (Decrease) in Inventory Reserve	(10,442)	0	0	0	(10,442)
<b>Fund Balances (Deficits) End of Year</b>	<b>\$ 3,586,036</b>	<b>\$ (1,807,847)</b>	<b>\$ 0</b>	<b>\$ 680,456</b>	<b>\$ 2,458,645</b>

See accompanying notes to the basic financial statements

**CITY OF ST. BERNARD, OHIO**

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***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Fiscal Year Ended December 31, 2004***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 379,709

***Amounts reported for governmental activities in the statement of activities are different because***

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	1,062,745	
Depreciation Expense	<u>(966,627)</u>	96,118

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.	<u>(120)</u>	(120)
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Revenues in the statement of activities that do not provide current financial resources 14,421

The issuance of long-term debt provides current financial resources to governmental (2,125,000)

Repayment of bond and loan principal is an expenditure in the governmental funds,		
General Obligation Bond Principal Payment	17,538	
Ohio Public Works Commission Loan Principal Payment	1,814	
Police/Fire Accrued Pension Payment	<u>13,633</u>	32,985

In the statement of activities, interest is accrued on outstanding bonds, whereas in (20,881)

Some expenses reported in the statement of activities do not require the use of current		
Compensated Absences	(129,048)	
Change in Inventory	<u>(10,442)</u>	(139,490)

***Change in Net Assets of Governmental Activities*** \$ (1,762,258)

See accompanying notes to the basic financial statements

## CITY OF ST. BERNARD, OHIO

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 6,980,548	\$ 5,780,398	\$ 6,461,127	\$ 680,729
Intergovernmental Revenues	1,168,397	958,580	1,129,569	170,989
Charges for Services	103,675	85,058	100,230	15,172
Licenses and Permits	42,415	34,798	41,005	6,207
Investment Earnings	39,854	32,698	38,530	5,832
Fines and Forfeitures	44,902	36,839	43,410	6,571
All Other Revenues	164,485	134,947	159,019	24,072
Total Revenues	<u>8,544,276</u>	<u>7,063,318</u>	<u>7,972,890</u>	<u>909,572</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	4,113,190	4,368,649	4,350,741	17,908
Public Health and Welfare Services	132,311	127,776	126,324	1,452
Leisure Time Activities	432,161	390,548	372,968	17,580
Basic Utility Services	867,891	883,695	873,163	10,532
Transportation	267,553	272,053	258,071	13,982
General Government	2,194,858	2,344,597	2,292,092	52,505
Other Expenditures	985,878	1,298,726	1,256,748	41,978
Total Expenditures	<u>8,993,842</u>	<u>9,686,044</u>	<u>9,530,107</u>	<u>155,937</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(449,566)	(2,622,726)	(1,557,217)	1,065,509
<b>Other Financing Sources (Uses):</b>				
General Obligation Bonds Issued	125,000	125,000	125,000	0
Transfers Out	0	(502,743)	(502,743)	0
Total Other Financing Sources (Uses):	<u>125,000</u>	<u>(377,743)</u>	<u>(377,743)</u>	<u>0</u>
Net Change in Fund Balance	(324,566)	(3,000,469)	(1,934,960)	1,065,509
Fund Balance at Beginning of Year	4,559,233	4,559,233	4,559,233	0
Prior Year Encumbrances	96,706	96,706	96,706	0
Fund Balance at End of Year	<u>\$ 4,331,373</u>	<u>\$ 1,655,470</u>	<u>\$ 2,720,979</u>	<u>\$ 1,065,509</u>

See accompanying notes to the basic financial statements



**CITY OF ST. BERNARD, OHIO**

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**Statement of Net Assets  
Fiduciary Funds  
December 31, 2004**

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	<u>Private Purpose Trust</u>		
	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>	<u>Total</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 33,276	\$ 25,980	\$ 59,256
<b>Total Assets</b>	<u>33,276</u>	<u>25,980</u>	<u>59,256</u>
<b>Liabilities:</b>			
Due to Others	<u>0</u>	<u>25,980</u>	<u>25,980</u>
<b>Total Liabilities</b>	<u>0</u>	<u>25,980</u>	<u>25,980</u>
<b>Net Assets:</b>			
Unrestricted	<u>33,276</u>	<u>0</u>	<u>33,276</u>
<b>Total Net Assets</b>	<u>\$ 33,276</u>	<u>\$ 0</u>	<u>\$ 33,276</u>

See accompanying notes to the basic financial statements

## **CITY OF ST. BERNARD, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Reporting Entity**

The City of St. Bernard, Ohio (the "City") was incorporated as a village in 1878 and became a city in 1912. The City is a statutory municipal corporation under the laws of the State of Ohio and operates under a Council-Mayor form of government.

The accompanying basic financial statements of the City present the financial position of the various fund types, and the results of operations of the various fund types. The financial statements are presented as of December 31, 2004 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (the "GASB") Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities and functions of the City (the primary government consists of all funds, departments, boards and agencies that are not legally separate from the City). The reporting entity of the City includes the following services: police and fire protection, emergency medical services, parks and recreation, planning, zoning, street maintenance, and other governmental services. Potential component units for which the City may be financially accountable were considered for inclusion in the financial statements. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City. Based on the foregoing criteria, no component units were included in the financial statements.

The City of St. Bernard Mayor's Court is included in the reporting entity because it is not legally separate.

##### **B. Basis of Presentation - Fund Accounting**

The City uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following fund types are used by the City:

## ***CITY OF ST. BERNARD, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **B. Basis of Presentation - Fund Accounting (Continued)**

###### ***Governmental Funds***

The governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of "Flow of Current Financial Resources." With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Master Plan Capital Improvement Fund - This fund is used to account for financial resources to be used for planning, developing, executing and maintaining major properties within the City's Master Plan.

Capital Improvement Fund - This fund is used to account for financial resources to be used for the acquisition of capital assets and the construction of major capital facilities.

###### ***Fiduciary Funds***

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's fiduciary funds are a private-purpose trust fund and agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

##### **C. Basis of Presentation – Financial Statements**

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. The governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

## **CITY OF ST. BERNARD, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **C. Basis of Presentation – Financial Statements** (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements** – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

##### **D. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "measurable" means that the amount of the transaction can be determined. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 60 days after year-end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

## ***CITY OF ST. BERNARD, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **D. Basis of Accounting** (Continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Revenue considered susceptible to accrual at year-end includes income taxes withheld by employers, property taxes, interest on investments and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, is recorded as revenue when received in cash because generally this revenue is not measurable until received.

Property taxes measurable as of December 31, 2004, but not received within the available period are recorded as deferred revenue as these resources are not intended to pay liabilities of the current period. Delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

The City reports deferred revenues in its balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

##### **E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources as certified.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control for each fund is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council.

## ***CITY OF ST. BERNARD, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Budgetary Process** (Continued)

###### **1. Tax Budget**

By July 15, the City Finance Committee and Auditor submit an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

###### **2. Estimated Resources**

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. By October 1 of each year, the City accepts by resolution, the tax rates as determined by the Budget Commission. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2004.

###### **3. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level, and may be modified during the year by an ordinance of the City Council. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

## *CITY OF ST. BERNARD, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Budgetary Process (Continued)**

##### **4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

##### **5. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

##### **6. Budgetary Basis of Accounting**

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservation of fund balance (GAAP basis).

**CITY OF ST. BERNARD, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**6. Budgetary Basis of Accounting (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" for the General Fund:

Net Change in Fund Balance	General Fund
GAAP Basis (as reported)	(\$1,243,924)
Increase (Decrease):	
Accrued Revenues at December 31, 2004 received during 2005	(1,364,182)
Accrued Revenues at December 31, 2003 received during 2004	748,422
Accrued Expenditures at December 31, 2004 paid during 2005	559,611
Accrued Expenditures at December 31, 2003 paid during 2004	(649,097)
2003 Prepays for 2004	44,921
2004 Prepays for 2005	(21,887)
Outstanding Encumbrances	(8,824)
Budget Basis	<u>(\$1,934,960)</u>

**F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits and repurchase agreements. The repurchase agreements are considered cash equivalents because they are highly liquid investments with original maturity of three months or less.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and cash equivalents represents the balance on hand as if each fund maintained its own cash and cash equivalent account.



## **CITY OF ST. BERNARD, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution, the Ohio Revised Code and the City Charter. The City allocates interest among the various funds based upon applicable legal and administrative requirements. Interest revenue credited to the City's funds was \$65,498 during calendar year 2004. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. Certificates of deposit with a maturity of greater than three months from the time of purchase are classified as investments on the balance sheet. See Note 4, "Cash, Cash Equivalents and Investments".

##### **H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

##### **I. Inventory**

Inventory is stated at cost (first-in, first-out) in the governmental funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased.

##### **J. Capital Assets and Depreciation**

Capital assets are defined by the City as assets with an initial, individual cost of more than \$500.

###### **1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost. The capital asset values were initially determined by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated capital assets are capitalized at fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized. These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

**CITY OF ST. BERNARD, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Capital Assets and Depreciation (Continued)**

**2. Depreciation**

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Land Improvements	20 - 40
Buildings and Improvements	10 - 45
Infrastructure	20 - 50
Machinery and Equipment	5 - 20

**K. Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Compensated Absences	General Fund Street Maintenance Fund Master Plan Capital Improvement Fund
General Obligation Bonds	General Bond Retirement Fund
Accrued Pension Liability	General Fund
Ohio Public Works Commission Loan	Storm Sewer Improvement Fund

**L. Compensated Absences**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on 95% of the leave balances accumulated by employees who have ten years or more of service time with the City. These employees are expected to become eligible in the future to receive such payments.

## ***CITY OF ST. BERNARD, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **L. Compensated Absences** (Continued)

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable available financial resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

##### **M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction of improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

##### **N. Pensions**

The provision for pension costs are recorded when the related payroll is accrued and the obligation is incurred.

##### **O. Intergovernmental Revenues**

In governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, and shared revenues are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursable grants are recorded as intergovernmental receivables and revenues when the related expenditures are made.

##### **P. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

## **CITY OF ST. BERNARD, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Q. Interfund Assets/Liabilities**

Receivables and payables arising between funds for goods provided or services rendered are classified as "Due From/To Other Funds" on the balance sheet. Short-term interfund loans are classified as "Interfund Receivables/Payables," while long-term interfund loans are classified as "Interfund Loan Receivable/Payable."

##### **R. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbered amounts that have not been accrued at year-end, supplies inventory, prepaid items and Community Development Block Grant loans.

##### **S. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### **NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

***Fund Deficits*** - The fund deficits at December 31, 2004 of \$1,807,847 in the Master Plan Capital Improvement Fund (capital projects fund) arose from the recognition of notes payable on the modified accrual basis. Under the budgetary basis of accounting, proceeds from the sale of notes are recognized as revenue and expenditures are recognized when paid, therefore, a deficit does not exist. Transfers are provided when cash is required, not when accruals occur.

#### **NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of a majority of individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents."

Ohio law requires the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "cash equivalent" status for immediate use by the City. Such funds must maintain either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five-year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

## ***CITY OF ST. BERNARD, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Ohio law permits interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

## **CITY OF ST. BERNARD, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3 "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,*" collateral held in single financial collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

##### *Deposits:*

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

##### *Investments:*

- Category 1 Insured or registered, with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

#### **A. Deposits**

At year-end the carrying amount of the City's deposits was \$131,224 and the bank balance was \$324,341. Federal depository insurance covered \$100,000 of the bank balance. All remaining deposits were classified as Category 3.

**CITY OF ST. BERNARD, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

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**NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**B. Investments**

The City's investments at December 31, 2004 are summarized below:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Federal Home Loan Mortgage Corporation	\$2,476,557	N/A	\$2,476,557
Federal Farm Credit Bank	491,095	N/A	491,095
Federal National Mortgage Association	443,548	N/A	443,548
Total Investments	<u>\$3,411,200</u>	<u>\$0</u>	<u>\$3,411,200</u>

Periodically during the year, the City has invested in overnight repurchase agreements which were collateralized with federal agency mortgage-backed securities. On December 31, 2004, the City had \$0 of such securities classified as cash and cash equivalents.

**NOTE 4 - TAXES**

**A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2004 were levied after October 1, 2003 on assessed values as of January 1, 2003 the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually: the first payment is due April 30; the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100% of its true value. Public utility property taxes are payable on the same dates as real property described previously.

## ***CITY OF ST. BERNARD, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 4 – TAXES (Continued)**

##### **A. Property Taxes** (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of St. Bernard. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2004 was \$2.28 per \$1,000 of assessed value. The assessed value on which the 2004 levy was based was \$182,960,420. This amount constitutes \$84,045,540 in real property assessed value, \$5,361,930 in public utility assessed value and \$93,552,950 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .428% (4.28 mills) of assessed value.

##### **B. Income Tax**

The City levies a tax of 2.0% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of up to 2% of the tax paid to another municipality.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

#### **NOTE 5 - RECEIVABLES**

Receivables at December 31, 2004, consisted of taxes, interest and accounts receivable, and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred revenues are considered collectible in full.



**CITY OF ST. BERNARD, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

**NOTE 6 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2004:

Fund	Transfers In	Transfers Out
General Fund	\$0	\$502,743
Master Plan Capital Improvement Fund	145,465	0
Capital Improvement Fund	2,195,243	0
Nonmajor Governmental Funds:		
Street Maintenance Fund	0	0
Swimming Pool Fund	136,475	0
Drug Offender Fines Fund	700	0
General Bond Retirement Fund	247,032	2,225,248
Storm Sewer Improvement Fund	3,076	0
Total Nonmajor Governmental Funds	<u>387,283</u>	<u>2,225,248</u>
Totals	<u>\$2,727,991</u>	<u>\$2,727,991</u>

**NOTE 7 - CAPITAL ASSETS**

Summary by category of changes in governmental activities capital assets at December 31, 2004:

**Historical Cost:**

Class	December 31, 2003	Additions	Deletions	December 31, 2004
<b>Capital assets not being depreciated:</b>				
Land	\$3,116,353	\$58,600	\$0	\$3,174,953
<b>Capital assets being depreciated:</b>				
Land Improvements	4,280,648	30,553	0	4,311,201
Buildings and Improvements	4,350,596	30,748	0	4,381,344
Infrastructure	8,878,776	825,479	0	9,704,255
Machinery and Equipment	4,204,693	117,365	(601)	4,321,457
Total Cost	<u>\$24,831,066</u>	<u>\$1,062,745</u>	<u>(\$601)</u>	<u>\$25,893,210</u>

**Accumulated Depreciation:**

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Land Improvements	(\$1,247,373)	(\$183,764)	\$0	(\$1,431,137)
Buildings and Improvements	(2,553,359)	(101,477)	0	(2,654,836)
Infrastructure	(3,867,430)	(318,984)	0	(4,186,414)
Machinery and Equipment	(2,435,683)	(362,402)	481	(2,797,604)
Total Depreciation	<u>(\$10,103,845)</u>	<u>(\$966,627) *</u>	<u>\$481</u>	<u>(\$11,069,991)</u>

**Net Value:**

<u>\$14,727,221</u>	<u>\$14,823,219</u>
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## ***CITY OF ST. BERNARD, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 7 - CAPITAL ASSETS (Continued)**

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$223,440
Leisure Time Activities	193,415
Transportation	482,989
General Government	66,783
Total Depreciation Expense	<u>\$966,627</u>

#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS**

All of the City’s full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

##### **A. Ohio Public Employees Retirement System (the “Ohio PERS”)**

The following information was provided by the Ohio PERS to assist the City in complying with GASB Statement No. 27, “*Accounting for Pensions by State and Local Government Employers.*”

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

## ***CITY OF ST. BERNARD, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### **A. Ohio Public Employees Retirement System (the “Ohio PERS”)** (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2004, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2004 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2004, 2003 and 2002 were \$355,198, \$342,837 and \$357,848, respectively, which were equal to the required contributions for each year.

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year 2004 was 4.0% of covered payroll which amounted to \$101,485.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2003 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 369,885. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2003 is \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

## ***CITY OF ST. BERNARD, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)**

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2004, 2003 and 2002 were \$216,014, \$208,097 and \$193,887 for police and \$431,069, \$433,444 and \$416,314 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2004 covered payroll that was used to fund postemployment health care benefits was \$119,579 representing 7.75% of covered payroll for police and \$238,627 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2003, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,662 for police and 10,474 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2003 were \$150,853,148, which was net of member contributions of \$17,207,506.

**CITY OF ST. BERNARD, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

**NOTE 9 - COMPENSATED ABSENCES**

All full-time City employees other than fire department employees earn vacation at varying rates based upon length of service. An employee's vacation must be used during the period in which it is earned unless the Department Supervisor allows the balance to be carried over to the following year. Upon separation from the City, the employee (or their estate) is paid for his accumulated unused vacation leave balance.

All full-time City employees other than fire department employees earn sick leave at the rate of 1.25 days per calendar month of active service. Upon retirement from the City's service, an employee hired prior to December 21, 1985 receives one hour of monetary compensation for each one hour of unused sick leave up to a maximum of 1,800 hours. An employee hired after December 21, 1985 receives one hour of monetary compensation for each hour of unused sick leave up to a maximum of 1,000 hours. The monetary compensation is calculated at the hourly rate of compensation of the employee at the time of retirement.

Fire department employees earn sick leave at the rate of 16 hours per calendar month of active service. Upon retirement from City service, fire department employees receive one hour of compensation for each one hour of unused sick leave up to a maximum of 105 hours. The monetary compensation is calculated at the hourly rate of compensation of the employee at the time of retirement.

As of December 31, 2004 the long-term portion of the compensated absences liability for the City has increased \$140,287 from a balance of \$1,891,496 to \$2,031,783. This amount is considered long-term since no payments are anticipated requiring the use of current available financial resources.

**NOTE 10 - NOTES PAYABLE**

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five year period.

	Issue Date	Balance December 31, 2003	Issued	(Retired)	Balance December 31, 2004
Capital Projects Notes Payable					
1.71% Swimming Pool	09/24/03	\$2,400,000	\$0	(\$2,400,000)	\$0
1.43% Land Acquisition	07/17/03	2,100,000	0	(2,100,000)	0
1.43% Land Acquisition	07/17/04	0	2,110,000	0	2,110,000
Total Notes Payable		<u>\$4,500,000</u>	<u>\$2,110,000</u>	<u>(\$4,500,000)</u>	<u>\$2,110,000</u>

**CITY OF ST. BERNARD, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

**NOTE 11 - LONG-TERM OBLIGATIONS**

Detail of the changes in the loans, bonds, pension liability and compensated absences of the City for the year ended December 31, 2004, were as follows:

	Balance December 31, 2003	Issued	(Retired)	Balance December 31, 2004	Amount Due Within One Year
<b>Governmental Activities:</b>					
Ohio Public Works Commission Loan (OPWC):					
3.00% Andalus Avenue Improvements	\$42,532	\$0	(\$1,814)	\$40,718	\$1,867
Total OPWC Loan	42,532	0	(1,814)	40,718	1,867
General Obligation Bond:					
3.15% Andalus Avenue Improvements	97,538	0	(17,538)	80,000	20,000
3.45% Swimming Pool	0	2,000,000	0	2,000,000	373,114
2.35% Police Car	0	125,000	0	125,000	40,703
Total General Obligation Bond	97,538	2,125,000	(17,538)	2,205,000	433,817
Accrued Pension Liability	874,120	0	(13,633)	860,487	14,219
Compensated Absences	2,017,726	14,056	0	2,031,782	11,238
Total General Long-Term Debt and Other Long-Term Obligations	<u>\$3,031,916</u>	<u>\$2,139,056</u>	<u>(\$32,985)</u>	<u>\$5,137,987</u>	<u>\$461,141</u>

The City's liability for past service costs relating to the Police and Firemen's Disability and Pension Fund at December 31, 2004 was \$1,644,571 in principal and interest payments through the year 2035. Only the principal amount due of \$860,487 is included in the Government-wide Statement of Net Assets.

The City's future long-term obligation funding requirements for the loan, bond and accrued pension liability, including principal and interest payments as of December 31, 2004 follows:

Years	OPWC Loan		General Obligation Bond		Police/Fire Accrued Pension Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$1,867	\$1,208	\$433,817	\$70,825	\$14,219	\$41,995
2006	1,924	1,151	447,756	56,807	14,829	41,291
2007	1,982	1,093	462,170	41,753	15,466	40,557
2008	2,042	1,033	433,435	26,188	16,130	37,791
2009	2,104	971	427,822	11,102	16,824	38,992
2010-2014	11,512	3,864	0	0	95,596	181,722
2015-2019	13,361	2,016	0	0	117,967	155,927
2020-2035	5,926	224	0	0	569,456	245,809
Totals	<u>\$40,718</u>	<u>\$11,560</u>	<u>\$2,205,000</u>	<u>\$206,675</u>	<u>\$860,487</u>	<u>\$784,084</u>

## *CITY OF ST. BERNARD, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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#### **NOTE 12 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City is a participant in the Public Entities Pool of Ohio (the "Pool"). The Pool was established in 1987 and is administered under contract by the Ohio Municipal League to provide a program of property and casualty insurance for its member organizations throughout the State of Ohio.

The Pool's general objectives are to formulate, develop and administer a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program on behalf of the member political subdivisions. Political subdivisions joining the Pool may withdraw at the end of any coverage period upon 60 days prior written notice to the Pool. Under agreement, members who terminate participation in the Pool as well as current members are subject to a supplemental assessment or a refund at the discretion of the Board of Trustees, depending on the ultimate loss experience of all the entities it insures for each coverage year. To date, there have been no assessments or refunds due to the limited period of time that the Pool has been in existence and the nature of the coverage that is afforded to the participants.

Each participant makes an annual "contribution" to the Pool for the coverage they are provided, based on rates established by the Pool, using anticipated and actual results of operation for the various coverages provided. Participants are also charged for a "surplus contribution" that is used to fund the activities of the pool. During 2004, the City made contributions of \$72,484 to the pool. There was no required surplus contribution in 2004.

The City obtained insurance coverage from the pool for losses related to property, general liability, automobile and inland marine in 2004 and 2003. The City carried commercial insurance coverage for all other risks, including public official personal liability insurance in 2004 and 2003. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

In the ordinary course of business, the Pool cedes a portion of its exposure to other insurers. These arrangements limit the Pool's maximum net loss on individual risks.

Treaty basis casualty excess of loss contracts in force at December 31, 2004, currently protect the Pool against individual losses over \$150,000. For the preceding two-year period, the Pool was generally reinsured for casualty losses as follows:

Policy Period	Stop Loss Amount
From November 1, 2001 to October 31, 2002	\$150,000
From November 1, 2002 to October 31, 2003	\$150,000

Additionally, treaty basis property coverage protects the Pool against losses subject to a deductible of the lesser of \$50,000 per location or \$100,000 per occurrence. Since November 1, 1990, the Pool has been limited to an annual aggregate loss of \$300,000 under this treaty.

The Pool is, and the participants are, contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

**CITY OF ST. BERNARD, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

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**NOTE 12 - RISK MANAGEMENT (Continued)**

Boiler and machinery hold a \$1,000 deductible. Vehicle deductibles are \$500 while property deductibles are \$1,000 and general liability deductibles are \$1,000. The City carries a \$1,000 deductible for police and a \$1,000 deductible for professional liability insurance.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

**NOTE 13 - EMPLOYEE MEDICAL BENEFITS**

The City has a group health self-insurance program for employees and their eligible dependents. Premiums are paid into the General Fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the General Fund are available to pay claims and administrative costs. The plan is administered by a third party administrator, Custom Design Benefits, which monitors all claim payments. Excess loss coverage, carried through Continental Assurance Company, becomes effective after \$30,000 per year per specific claim. There is an annual maximum coverage per person of \$5,000,000.

The claims liability of \$128,416 reported in the general fund at December 31, 2004 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2004 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2003	\$41,079	\$974,993	(\$936,617)	\$79,455
2004	79,455	1,291,007	(1,242,046)	128,416

**NOTE 14 - CONTINGENCIES**

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect on the financial condition of the City.



**CITY OF ST. BERNARD, OHIO**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**December 31, 2004**

# Bastin & Company, LLC

*Certified Public Accountants*

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

City of St. Bernard  
Hamilton County  
110 Washington Avenue  
St. Bernard, Ohio 45217

To the Members of City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of St. Bernard, Hamilton County, Ohio (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 24, 2005. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City'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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 have a direct and material effect on 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as items 2004-01.

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

*Bastin & Company, LLC*

Cincinnati, Ohio  
August 24, 2005

**CITY OF ST. BERNARD  
HAMILTON COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

**Finding Number 2004 - 01**

Ohio Rev. Code, Section 5705.41 (D), states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate needs to be only signed by the subdivision fiscal officer. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment. This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the City may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate.
- B. If the amount involved is less than three thousand dollars, the auditor may authorize payment through a Then and Now Certificate without affirmation of the City Council, if such expenditure is otherwise valid.

Of the 60 disbursement transactions tested, we noted approximately twenty-seven percent were not supported by evidence that a certificate of the fiscal officer was completed or that either of the exceptions discussed above, applied.

The City’s fiscal officer should ensure that all expenditures are properly approved and supported by a certificate of the fiscal officer as required by Ohio Rev. Code, Section 5705.41 (D).

**City’s Response**

A memorandum outlining the purchasing procedures and approval requirements of the City has been issued to all department heads who have purchasing authorization, to reiterate the City’s procedures. In addition, the City’s Auditor will more closely monitor compliance with the requirements of the Revised Code.

**CITY OF ST. BERNARD  
HAMILTON COUNTY  
SCHEDULE OF PRIOR YEAR FINDINGS**

Finding Number	Finding Summary	Fully Corrected?	Explanation:
2003-1	The City should obtain a SAS No. 70 report from the third-party health insurance claims administrator.	Yes	The City has obtained a SAS No. 70 report from the health insurance claims administrator.





**Auditor of State  
Betty Montgomery**

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Columbus, Ohio 43216-1140

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**CITY OF ST. BERNARD**

**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  
NOVEMBER 15, 2005**