



**Auditor of State
Betty Montgomery**

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Bainbridge
Ross County
118 E. Main Street
Bainbridge, Ohio 45612

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bainbridge, Ross County, Ohio, (the Village), as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bainbridge, Ross County, Ohio, as of December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General, Street Construction, Maintenance and Repair and Fire Levy Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

October 6, 2006

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

This discussion and analysis of the Village of Bainbridge's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2004, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statements No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Highlights

Key highlights for 2004 are as follows:

Net assets of governmental activities increased \$36,073 or 9.7 percent, which is a moderate change from the prior year. The funds most affected by the change were the General, Street Construction, Maintenance and Repair, and Fire Levy Funds.

The Village's general receipts are primarily taxes and grants not restricted to specific programs. These receipts represent \$96,733 or 56.6 percent of the total cash received for governmental activities during the year. Property tax receipts for 2004 changed very little compared to 2003 as development within the Village has not progressed.

Net assets of business-type activities, which are for water operations increased \$41,198 or 18 percent. The Village increased the water rates in September of 2004 and has included a three year 5 percent rate per year increase to subsidize the water funds. The Village has also applied for grants/loans for a new water storage tank to replace the current water reservoir. This project will take place over the next two years.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental Activities - Most of the Village's basic services are reported here, including fire, streets and parks. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-Type Activities - The Village's business-type activities are for the provision of water. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General, Street Construction, Maintenance and Repair, and Fire Levy Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two major enterprise funds, the Water and Sewer Funds.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2004. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 1)
Net Assets

| | Governmental Activities | Business-Type Activities | Total |
|---------------------------|----------------------------|-----------------------------|------------------|
| | 2004 | 2004 | 2004 |
| <u>Assets:</u> | | | |
| Cash and Cash Equivalents | \$405,636 | \$270,180 | \$675,816 |
| Total Assets | <u>\$405,636</u> | <u>\$270,180</u> | <u>\$675,816</u> |
| <u>Net Assets:</u> | | | |
| <i>Restricted for:</i> | | | |
| Other Purposes | 153,463 | 0 | 153,463 |
| Unrestricted | <u>252,173</u> | <u>270,180</u> | <u>522,353</u> |
| Total Net Assets | <u>\$405,636</u> | <u>\$270,180</u> | <u>\$675,816</u> |

As mentioned previously, net assets of governmental activities increased \$36,073 or 9.7 percent during 2004. The primary reasons contributing to the increases in governmental cash balances are the results of the Village obtaining grant funds to pay for expenditures previously paid from general revenues and an attempt to reduce spending to levels less than annual revenues.

The net assets of business-type activities increased 41,198 or 18 percent. The main reason for this increase in cash balances is due to the Village increasing water rates in September 2004 and a decrease in operating expenses.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets in 2004. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

| | Governmental Activities <u>2004</u> | Business Type Activities <u>2004</u> | Total <u>2004</u> |
|--|---|--|----------------------|
| <u>Receipts:</u> | | | |
| <i>Program Receipts:</i> | | | |
| Charges for Services and Sales | \$18,000 | \$163,408 | \$181,408 |
| Operating Grants and Contributions | 47,777 | 0 | 47,777 |
| Total Program Receipts | <u>65,777</u> | <u>163,408</u> | <u>229,185</u> |
| <i>General Receipts:</i> | | | |
| Property and Other Local Taxes | 34,665 | 0 | 34,665 |
| Grants and Entitlements Not Restricted to Specific Programs | 62,068 | 0 | 62,068 |
| Interest | 4,449 | 0 | 4,449 |
| Miscellaneous | 4,079 | 0 | 4,079 |
| Total General Receipts | <u>105,261</u> | <u>0</u> | <u>105,261</u> |
| Total Receipts | <u>171,038</u> | <u>163,408</u> | <u>334,446</u> |
| <u>Disbursements:</u> | | | |
| General Government | 52,160 | 0 | 52,160 |
| Security of Persons and Property | 65,598 | 0 | 65,598 |
| Leisure Time Activities | 7,807 | 0 | 7,807 |
| Transportation | 2,502 | 0 | 2,502 |
| Capital Outlay | 6,898 | 0 | 6,898 |
| Water | 0 | 122,210 | 122,210 |
| Total Disbursements | <u>134,965</u> | <u>122,210</u> | <u>257,175</u> |
| Increase (Decrease) in Net Assets | 36,073 | 41,198 | 77,271 |
| Net Assets, January 1, 2004 | <u>369,563</u> | <u>228,982</u> | <u>598,545</u> |
| Net Assets, December 31, 2004 | <u>\$405,636</u> | <u>\$270,180</u> | <u>\$675,816</u> |

Program receipts represent \$65,777 or 38.5 percent of total governmental activities revenue and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money and contracts for fire protection.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

General receipts represent 61.5 percent of the Village's total receipts, and of this amount, 32.9 percent are local taxes. State and federal grants and entitlements not restricted to specific programs make up approximately 58.9 percent of the Village's total receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council and the clerk, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs.

Security of Persons and Property are the costs of police and fire protection; Leisure Time Activities are the costs of maintaining the parks and playing fields; Transportation is the cost of maintaining the roads; and Capital Outlay is the cost of purchasing capital items by the Village to provide services.

Governmental Activities

If you look at the Statement of Activities on page 9 and 10, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and security of persons and property, which account for \$52,160 or 38.6 percent and \$65,598 or 48.6 percent of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

| | Total Cost Of Services 2004 | Net Cost of Services 2004 |
|----------------------------------|-----------------------------------|---------------------------------|
| | <u>2004</u> | <u>2004</u> |
| General Government | \$52,160 | \$52,160 |
| Security of Persons and Property | 65,598 | 39,521 |
| Leisure Time Activities | 7,807 | 7,807 |
| Transportation | 2,502 | (37,198) |
| Capital Outlay | 6,898 | 6,898 |
| Total Expenses | <u>\$134,965</u> | <u>\$69,188</u> |

The dependence upon property tax receipts is apparent as 49.8 percent of governmental activities are supported through these general receipts.

Business-type Activities

The water operation of the Village is relatively small. The infrastructure is beginning to age and the Village issued debt during 2003 to fund this construction. The Village is looking to issue debt and apply for grants to fund this construction and, as stated earlier, the Village will be raising the rates 5 percent over the next 3 years.

VILLAGE OF BAINBRIDGE
ROSS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)

The Village's Funds

Total governmental funds had receipts of \$171,038 and disbursements of \$134,965. The greatest change within governmental funds occurred within the Street Construction Maintenance and Repair Fund. The fund balance of the Street Construction Maintenance and Repair increased \$34,544 as the result of the Village delaying street projects until more revenue was obtained.

General Fund Budgeting Highlights

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

During 2004, the Village only amended its General Fund budget a minimal number of times. Final disbursements in the General Fund were budgeted at \$256,448, while actual disbursements were \$85,288. The Village kept spending below the budgeted amounts as demonstrated by the reported variances. The result is the increase in fund balance of \$20,519 for 2004

Final budgeted receipts were the same as the original budgeted receipts.

Debt Administration

At December 31, 2004, the Village's outstanding debt included \$53,747 in a loan issued for improvements to the water system.

Current Issues

The challenge for all local governments is to provide quality services to the public while staying within the restrictions imposed by limited funding. As indicated in the preceding financial information, the Village relies heavily on local taxes and intergovernmental receipts to operate at the current level of services.

In November of 2004 the Village organized a Revitalization Committee and they have designed a five-year plan, which outlines steps to improve the community. The Village plans to request for Community Distress Grants from the Ross County Planning Department.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Cheryl Frey-Looney, Clerk-Treasurer, Village of Bainbridge, 118 East Main St., P.O. Box 551, Bainbridge, Ohio 45612.

**VILLAGE OF BAINBRIDGE, ROSS COUNTY
ROSS COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2004**

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|-----------|
| <u>Assets:</u> | | | |
| Equity in Pooled Cash and Cash Equivalents | \$405,636 | \$270,180 | \$675,816 |
| <i>Total Assets</i> | 405,636 | 270,180 | 675,816 |
| <u>Net Assets:</u> | | | |
| <i>Restricted for:</i> | | | |
| Other Purposes | 153,463 | 0 | 153,463 |
| Unrestricted | 252,173 | 270,180 | 522,353 |
| <i>Total Net Assets</i> | \$405,636 | \$270,180 | \$675,816 |

See accompanying notes to the basic financial statements.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | Program Revenues | | |
|---|--------------------------------------|--|----------|
| Cash Disbursements | Charges for Services and Sales | Operating Grants Contributions and Interest | |
| <u>Governmental Activities:</u> | | | |
| Security of Persons and Property | 65,598 | 18,000 | 8,077 |
| Leisure Time Activities | 7,807 | 0 | 0 |
| Transportation | 2,502 | 0 | 39,700 |
| General Government | 52,160 | 0 | 0 |
| Capital Outlay | 6,898 | 0 | 0 |
| <i>Total Governmental Activities</i> | 134,965 | 18,000 | 47,777 |
| <u>Business-Type Activities:</u> | | | |
| Water | 122,210 | 151,310 | 0 |
| Sewer | 0 | 12,098 | 0 |
| <i>Total Business Type Activities</i> | 122,210 | 163,408 | 0 |
| <i>Total Primary Government</i> | \$257,175 | \$181,408 | \$47,777 |
| <u>General Receipts:</u> | | | |
| Property Taxes | | | |
| Other Taxes | | | |
| Grants and Entitlements not Restricted to Specific Programs | | | |
| Earnings on Investments | | | |
| Miscellaneous | | | |
| <i>Total General Receipts</i> | | | |
| <i>Change in Net Assets</i> | | | |
| <i>Net Assets Beginning of Year</i> | | | |
| <i>Net Assets End of Year</i> | | | |

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and
Changes in Net Assets

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|------------------|
| (\$39,521) | \$0 | (\$39,521) |
| (7,807) | 0 | (7,807) |
| 37,198 | 0 | 37,198 |
| (52,160) | 0 | (52,160) |
| (6,898) | 0 | (6,898) |
| (69,188) | 0 | (69,188) |
| 0 | 29,100 | 29,100 |
| 0 | 12,098 | 12,098 |
| (69,188) | 41,198 | 41,198 |
| (69,188) | 41,198 | (27,990) |
| 29,903 | 0 | 29,903 |
| 4,762 | 0 | 4,762 |
| 62,068 | 0 | 62,068 |
| 4,449 | 0 | 4,449 |
| 4,079 | 0 | 4,079 |
| 105,261 | 0 | 105,261 |
| 36,073 | 41,198 | 77,271 |
| 369,563 | 228,982 | 598,545 |
| <u>\$405,636</u> | <u>\$270,180</u> | <u>\$675,816</u> |

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

| | General | Street Const. Maint. Rep. | Fire Levy | Other Governmental Funds | Total Governmental Funds |
|--|------------------|---------------------------------|-----------------|--------------------------------|--------------------------------|
| <u>Assets:</u> | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$252,173 | \$80,380 | \$28,258 | \$44,825 | \$405,636 |
| <i>Total Assets</i> | <u>\$252,173</u> | <u>\$80,380</u> | <u>\$28,258</u> | <u>\$44,825</u> | <u>\$405,636</u> |
| <u>Fund Balances:</u> | | | | | |
| <i>Unreserved, Reported in:</i> | | | | | |
| General Fund | \$252,173 | \$0 | \$0 | \$0 | \$252,173 |
| Special Revenue Funds | 0 | 80,380 | 28,258 | 44,825 | 153,463 |
| <i>Total Fund Balances</i> | <u>\$252,173</u> | <u>\$80,380</u> | <u>\$28,258</u> | <u>\$44,825</u> | <u>\$405,636</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | General | Street Construction Maintenance Repair | Fire Levy | Other Governmental Funds | Total |
|---|-------------------------|---|------------------------|--------------------------------|-------------------------|
| <u>Receipts:</u> | | | | | |
| Property and Other Local Taxes | \$18,725 | \$0 | \$11,178 | \$4,762 | \$34,665 |
| Intergovernmental | 60,674 | 34,664 | 9,471 | 3,125 | 107,934 |
| Charges for Services | 18,000 | 0 | 0 | 0 | 18,000 |
| Earnings on Investments | 4,449 | 637 | 0 | 1,274 | 6,360 |
| Miscellaneous | 3,959 | 120 | 0 | 0 | 4,079 |
| <i>Total Receipts</i> | <u>105,807</u> | <u>35,421</u> | <u>20,649</u> | <u>9,161</u> | <u>171,038</u> |
| <u>Disbursements:</u> | | | | | |
| <i>Current:</i> | | | | | |
| Security of Persons and Property | 23,698 | 0 | 41,900 | 0 | 65,598 |
| Leisure Time Activities | 2,807 | 0 | 0 | 5,000 | 7,807 |
| Transportation | 0 | 877 | 0 | 1,625 | 2,502 |
| General Government | 51,885 | 0 | 275 | 0 | 52,160 |
| Capital Outlay | 6,898 | 0 | 0 | 0 | 6,898 |
| <i>Total Disbursements</i> | <u>85,288</u> | <u>877</u> | <u>42,175</u> | <u>6,625</u> | <u>134,965</u> |
| <i>Net Change in Fund Balance</i> | 20,519 | 34,544 | (21,526) | 2,536 | 36,073 |
| Fund Balance Beginning of Year - Restated | <u>231,654</u> | <u>45,836</u> | <u>49,784</u> | <u>42,289</u> | <u>369,563</u> |
| <i>Fund Balances End of Year</i> | <u><u>\$252,173</u></u> | <u><u>\$80,380</u></u> | <u><u>\$28,258</u></u> | <u><u>\$44,825</u></u> | <u><u>\$405,636</u></u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------------|------------------------|-------------------------|---|
| | Original | Final | | |
| <u>Receipts</u> | | | | |
| Property Taxes and Other Local Taxes | \$19,240 | \$18,725 | \$18,725 | \$0 |
| Intergovernmental | 55,300 | 58,191 | 60,674 | 2,483 |
| Charges for Services | 18,000 | 18,000 | 18,000 | 0 |
| Earnings on Investments | 4,500 | 4,449 | 4,449 | 0 |
| Miscellaneous | 600 | 3,959 | 3,959 | 0 |
| <i>Total Receipts</i> | <u>97,640</u> | <u>103,324</u> | <u>105,807</u> | <u>2,483</u> |
| <u>Disbursements:</u> | | | | |
| <i>Current:</i> | | | | |
| Security of Persons and Property | 43,600 | 43,600 | 23,698 | 19,902 |
| Leisure Time Activities | 6,000 | 6,000 | 2,807 | 3,193 |
| General Government | 96,050 | 99,450 | 51,885 | 47,565 |
| Capital Outlay | 100,500 | 107,398 | 6,898 | 100,500 |
| <i>Total Disbursements:</i> | <u>246,150</u> | <u>256,448</u> | <u>85,288</u> | <u>171,160</u> |
| <i>Net Change in Fund Balance</i> | (148,510) | (153,124) | 20,519 | (168,677) |
| <i>Fund Balance at Beginning of Year</i> | <u>231,654</u> | <u>231,654</u> | <u>231,654</u> | <u>0</u> |
| <i>Fund Balance at End of Year</i> | <u><u>\$83,144</u></u> | <u><u>\$78,530</u></u> | <u><u>\$252,173</u></u> | <u><u>(\$168,677)</u></u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
STREET CONSTRUCTION, MAINTENANCE AND REPAIR
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------------|------------------------|------------------------|---|
| | Original | Final | | |
| <u>Revenues:</u> | | | | |
| Intergovernmental | \$27,850 | \$38,541 | 34,664 | (\$3,877) |
| Earnings on Investments | 600 | 637 | 637 | 0 |
| Miscellaneous | 200 | 120 | 120 | 0 |
| <i>Total Revenues</i> | <u>28,650</u> | <u>39,298</u> | <u>35,421</u> | <u>(3,877)</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Transportation | 50,300 | 50,300 | 877 | 49,423 |
| <i>Total Expenditures</i> | <u>50,300</u> | <u>50,300</u> | <u>877</u> | <u>49,423</u> |
| <i>Net Change in Fund Balance</i> | (21,650) | (11,002) | 34,544 | 45,546 |
| <i>Fund Balance at Beginning of Year</i> | <u>45,836</u> | <u>45,836</u> | <u>45,836</u> | <u>0</u> |
| <i>Fund Balance at End of Year</i> | <u><u>\$24,186</u></u> | <u><u>\$34,834</u></u> | <u><u>\$80,380</u></u> | <u><u>\$45,546</u></u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
FIRE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------------|--------------------------|------------------------|---|
| | Original | Final | | |
| <u>Receipts</u> | | | | |
| Property Taxes and Other Local Taxes | \$11,550 | \$11,178 | \$11,178 | \$0 |
| Intergovernmental | 150 | 8,077 | 9,471 | 1,394 |
| <i>Total Receipts</i> | <u>11,700</u> | <u>19,255</u> | <u>20,649</u> | <u>1,394</u> |
| <u>Disbursements:</u> | | | | |
| <i>Current:</i> | | | | |
| Security of Persons and Property | 0 | 76,900 | 41,900 | 35,000 |
| General Government | 15,550 | 15,550 | 275 | 15,275 |
| <i>Total Disbursements:</i> | <u>15,550</u> | <u>92,450</u> | <u>42,175</u> | <u>50,275</u> |
| <i>Net Change in Fund Balance</i> | (3,850) | (73,195) | (21,526) | (48,881) |
| <i>Fund Balance at Beginning of Year</i> | <u>49,784</u> | <u>49,784</u> | <u>49,784</u> | <u>0</u> |
| <i>Fund Balance at End of Year</i> | <u><u>\$45,934</u></u> | <u><u>(\$23,411)</u></u> | <u><u>\$28,258</u></u> | <u><u>(\$48,881)</u></u> |

See accompanying notes to the basic financial statements.

VILLAGE OF BAINBRIDGE
ROSS COUNTY

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2004

| | Water Operating | Sewer Project | Total Enterprise Funds |
|--|--------------------|------------------|------------------------------|
| <u>Assets:</u> | | | |
| Equity in Pooled Cash and Cash Equivalents | \$207,381 | \$62,799 | \$270,180 |
| <u>Net Assets:</u> | | | |
| Unrestricted | \$207,381 | \$62,799 | \$270,180 |
| <i>Total Net Assests:</i> | <u>207,381</u> | <u>62,799</u> | <u>270,180</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | Water Operating | Sewer Project | Enterprise Total |
|--|-------------------------|------------------------|-------------------------|
| <u>Operating Receipts:</u> | | | |
| Charges for Services | \$151,310 | \$12,098 | \$163,408 |
| <i>Total Operating Receipts</i> | <u>151,310</u> | <u>12,098</u> | <u>163,408</u> |
| <u>Operating Disbursements:</u> | | | |
| Personal Services | 65,679 | 0 | 65,679 |
| Employee Fringe Benefits | 21,389 | 0 | 21,389 |
| Contractual Services | 17,790 | 0 | 17,790 |
| Supplies and Materials | 12,105 | 0 | 12,105 |
| <i>Total Operating Expenses</i> | <u>116,963</u> | <u>0</u> | <u>116,963</u> |
| <i>Operating Income (Loss)</i> | <u>34,347</u> | <u>12,098</u> | <u>46,445</u> |
| <u>Non-Operating (Disbursements):</u> | | | |
| Principal Payments | (1,851) | 0 | (1,851) |
| Interest and Fiscal Charges | (3,396) | 0 | (3,396) |
| <i>Total Non-Operating (Disbursements)</i> | <u>(5,247)</u> | <u>0</u> | <u>(5,247)</u> |
| Change in Net Assets | 29,100 | 12,098 | 41,198 |
| Net Assets Beginning of Year - Restated | <u>178,281</u> | <u>50,701</u> | <u>228,982</u> |
| Net Assets End of Year | <u><u>\$207,381</u></u> | <u><u>\$62,799</u></u> | <u><u>\$270,180</u></u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Note 1 – Reporting Entity

The Village of Bainbridge, Ross County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Mayor and Clerk are elected to a four-year terms. The Mayor votes only to break a tie.

A. Primary Government

The Village provides general government services, water utilities, maintenance of Village roads and bridges, and park operations. The Village utilizes the Ross County Sheriff's department to provide police protection. The Village appropriates monies received from the fire levy to support a volunteer fire department. The Village contracts with Paxton and Perry Townships to provide them fire protection services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Village has no joint ventures with any other entities or organizations.

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk sharing pool. Note 7 to the financial statements provides additional information for this entity.

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

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the enterprise funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. The following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Enterprise fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, charges for services, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds.

The following are the Village's major governmental funds:

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

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

Fire Levy Fund: This fund received tax money and intergovernmental money to purchase and maintain fire equipment.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village. This fund also accounts for the debt related to the expansion of the water treatment facility.

Sewer Fund - This fund receives 10 percent of the revenues received from customers for water services for the future construction of a new sewer treatment plant.

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the object level within each fund and function.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2004 was \$4,449 which includes \$2,047 assigned from other Village funds.

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for 25% of unused sick leave. Unpaid leave is not reflected as a liability under the Village's modified cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. The Village had no lease agreements during 2005.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for state and federal grants.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Village reserves any portion of fund balances which is not needed for appropriation or which is legally segregated for a specific future use. Unreserved, undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. The Village had no fund balance reserves or designations as of year end.

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

Note 3 – Change in Basis of Accounting and new GASB Pronouncement

For the year ended December 31, 2003, the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

The transition from the regulatory basis of accounting to the *modified* cash basis of accounting generated the following changes to fund balance/equity as previously reported at December 31, 2003. At December 31, 2003, the Village reported the Sewer Construction Fund as Governmental Capital Projects fund.

The Sewer Construction Fund is funded by charges for services as such this activity meets the definition of an enterprise fund under GASB 34. The following table reflects the changes to the fund balance/net assets:

| | Other Governmental | Sewer |
|--|-----------------------|-----------|
| Fund Balance/Net Asset December 31, 2003 | \$ 92,990 | \$ 0 |
| Reclassification | (50,701) | 50,701 |
| Adjusted Fund Balance/Net Assets December 31, 2003 | \$ 42,289 | \$ 50,701 |

Also the Village implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures." The implementation of GASB Statement No. 40 had some effect on the disclosure requirements; however, there was no effect on the prior period fund balances of the Village.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General, Street Construction, Maintenance and Repair and Fire Levy Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are no differences between the budget basis and the modified cash basis.

Note 5– Equity in Pooled Cash and Cash Equivalent

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

Note 5– Equity in Pooled Cash and Cash Equivalents (continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (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 Village, and must be purchased with the expectation that it will be held to maturity.

A. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits may not be returned. At year end, \$581,979 of the Village's bank balances of \$681,979, was exposed to custodial risk as discussed above, while \$100,000 was covered by Federal Deposit Insurance. The \$581,979 exposed to custodial credit risk was collateralized by a pool of securities pledged by the financial institution and held by a qualified trustee to secure repayment of all public monies deposited with the financial institution.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

Note 5– Equity in Pooled Cash and Cash Equivalents (continued)

The Village has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, by a surety company bond, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are

established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2004, was \$6.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

| | |
|-------------------------------|---------------------------|
| Real Property | |
| Residential | 4,760,620 |
| Agriculture | 9,400 |
| Commercial/Industrial/Mineral | 1,467,370 |
| Public Utility Property | |
| Personal | 360,250 |
| Tangible Personal Property | 817,130 |
| Total Assessed Value | <u><u>\$7,414,770</u></u> |

VILLAGE OF BAINBRIDGE
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

Note 7– Risk Management

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. The Village can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004:

| <u>Casualty Coverage</u> | <u>2004</u> |
|--------------------------|---------------------|
| Assets | \$30,547,049 |
| Liabilities | (16,989,918) |
| Retained earnings | <u>\$13,557,131</u> |

| <u>Property Coverage</u> | <u>2004</u> |
|--------------------------|--------------------|
| Assets | \$3,652,970 |
| Liabilities | (544,771) |
| Retained earnings | <u>\$3,108,199</u> |

The Village also provides health insurance coverage to its full time employees through United Health Care.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio

Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003 and 2002, were \$7,834, \$7,522, and \$7,301 respectively. The full amount has been contributed for 2004, 2003 and 2002. The Village's employees contributed \$6,973.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

Note 9 - Postemployment Benefits (continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

At December 31, 2004, the number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund post employment benefits were \$3,281. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and unfunded actuarial accrued liability were \$26.5 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs by creating a separate investment pool for healthcare assets.

Note 10 – Debt

The Village's long-term debt activity for the year ended December 31, 2004, was as follows:

| | Interest Rate | Balance December 31, 2003 | Additions | Reductions | Balance December 31, 2004 | Due Within One Year |
|---------------------------------|------------------|------------------------------------|------------|----------------|------------------------------------|------------------------|
| <u>Business-type Activities</u> | | | | | | |
| 1997 OWDA Loan | 6.32% | \$55,598 | \$0 | \$1,851 | \$53,747 | \$1,851 |
| Total Business-type Activities | | <u>\$55,598</u> | <u>\$0</u> | <u>\$1,851</u> | <u>\$53,747</u> | <u>\$1,851</u> |

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

VILLAGE OF BAINBRIDGE
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

Note 10 – Debt (continued)

The following is a summary of the Village's future annual debt service requirements including interest:

| Year | OWDA Loan |
|---------------------|-----------|
| 2005 | \$5,247 |
| 2006 | 5,247 |
| 2007 | 5,247 |
| 2008 | 5,247 |
| 2009 | 5,247 |
| 2010-2014 | 26,235 |
| 2015 – 2019 | 26,235 |
| 2020-2021 | 10,494 |
| Total Debt Payments | 89,199 |

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.



Auditor of State Betty Montgomery

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

Village of Bainbridge
Ross County
118 E. Main Street
Bainbridge, Ohio 45612

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Bainbridge, Ross County, Ohio, (the Village) as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated October 6, 2006, wherein we noted the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No 34, *Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments*. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated October 6, 2006, we reported an other matter involving internal control over financial reporting we did not deem reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Village's management dated October 6, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and Village Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

October 6, 2006

VILLAGE OF BAINBRIDGE
ROSS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004

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

| | |
|----------------|----------|
| Finding Number | 2004-001 |
|----------------|----------|

Homestead and Rollback and Local Government Support – Finding For Adjustment

Ohio Rev. Code Section 5705.10 states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

In 2004, the Clerk-Treasurer posted the Fire Levy Fund's homestead and rollback receipts in the General fund instead of the Fire Levy Fund. In addition, the Clerk-Treasurer posted the local government support receipts to the Street, Construction and Maintenance and Repair fund rather than the General Fund.

The lack of accurate posting of receipts leads to inaccurate financial information and in some cases understated and/or overstated Village fund balances. Inaccurate postings could also allow restricted funds to be used for improper purposes.

A Finding for Adjustment is hereby issued against the General Fund in the amount of \$1,370 in favor of the Fire Levy Fund for homestead and rollback receipts. A Finding for Adjustment in the amount of \$3,877 in favor of the General Fund for local government support receipts.

We recommend the Clerk utilize tax settlement sheets and other documentation when posting receipts to ensure they are posted to the appropriate funds and account codes for funds that have external restrictions. The financial statements have been adjusted to correctly reflect the homestead and rollback and local government support receipts.

Official's Response:

We did not receive a response from the Officials to this finding.

**VILLAGE OF BAINBRIDGE
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|---|
| 2003-001 | Material non-compliance for Ohio Rev. Code Section 5705.41(D)- Failure to certify funds prior to expenditure | No | Partially Corrected. The Village has become more consistent with certifying funds. Re-issued in current management letter. |
| 2003-002 | Material non-compliance for Ohio Rev. Code Section 731.14 for failure to obtain competitive bids and bid splitting a project | No | Partially Corrected. Re-issued in current management letter. |
| 2003-003 | Material non-compliance with Ohio's Prevailing Wage Law | Yes | Finding no longer valid, as Village did not enter into any contracts during the audit period that were subject to prevailing wage laws. |



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

VILLAGE OF BAINBRIDGE

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 28, 2006**