

**VILLAGE OF NORTH BEND
HAMILTON COUNTY
Regular Audit
December 31, 2008 and 2007**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of North Bend, Hamilton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 8, 2009

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VILLAGE OF NORTH BEND
HAMILTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

July 24, 2009

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

To the Village Council:

We have audited the accompanying financial statements of the **Village of North Bend, Hamilton County, Ohio**, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

Village of North Bend
Hamilton County
Independent Accountants Report
Page 2

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007 or their changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of North Bend, Hamilton County, Ohio, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2009, 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.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 279,859	\$ 35,216	\$ 315,075
Intergovernmental	72,108	41,918	114,026
Special Assessments	-	7,197	7,197
Fines, Licenses and Permits	15,169	-	15,169
Earnings on Investments	17,584	427	18,011
Miscellaneous	918	-	918
	<u>385,638</u>	<u>84,758</u>	<u>470,396</u>
Total Cash Receipts			
	<u>385,638</u>	<u>84,758</u>	<u>470,396</u>
Cash Disbursements:			
Current:			
General Government	126,901	504	127,405
Security of Persons and Property	82,570	91,009	173,579
Public Health Services	852	-	852
Leisure Time Activities	3,251	902	4,153
Community Environment	3,415	-	3,415
Basic Utility Services	26,828	537	27,365
Transportation	-	46,472	46,472
Capital Outlay	-	2,837	2,837
	<u>243,817</u>	<u>142,261</u>	<u>386,078</u>
Total Cash Disbursements			
	<u>243,817</u>	<u>142,261</u>	<u>386,078</u>
Total Cash Receipts Over/(Under) Disbursements	<u>141,821</u>	<u>(57,503)</u>	<u>84,318</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	-	85,000	85,000
Transfers-Out	(85,000)	-	(85,000)
Other Financing Uses	(2,158)	-	(2,158)
	<u>(87,158)</u>	<u>85,000</u>	<u>(2,158)</u>
Total Other Financing Receipts/(Disbursements)			
	<u>(87,158)</u>	<u>85,000</u>	<u>(2,158)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	54,663	27,497	82,160
Fund Cash Balances, January 1	<u>478,799</u>	<u>75,970</u>	<u>554,769</u>
Fund Cash Balances, December 31	<u><u>\$ 533,462</u></u>	<u><u>\$ 103,467</u></u>	<u><u>\$ 636,929</u></u>

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

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 252,141	\$ 29,645	\$ 281,786
Intergovernmental	62,214	61,392	123,606
Special Assessments	-	8,843	8,843
Fines, Licenses and Permits	18,944	-	18,944
Earnings on Investments	20,212	670	20,882
Miscellaneous	809	-	809
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	354,320	100,550	454,870
Cash Disbursements:			
Current:			
General Government	112,432	141	112,573
Security of Persons and Property	80,637	87,029	167,666
Leisure Time Activities	545	377	922
Community Environment	3,191	-	3,191
Basic Utility Service	34,276	840	35,116
Transportation	-	62,143	62,143
Capital Outlay	-	39,075	39,075
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	231,081	189,605	420,686
Total Cash Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	123,239	(89,055)	34,184
Other Financing Receipts/(Disbursements):			
Sale of Fixed Assets	-	2,200	2,200
Transfers-In	-	107,145	107,145
Transfers-Out	(107,145)	-	(107,145)
Advances-In	3,200	3,200	6,400
Advances-Out	(3,200)	(3,200)	(6,400)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(107,145)	109,345	2,200
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	16,094	20,290	36,384
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	462,705	55,680	518,385
Fund Cash Balances, December 31	<hr/> \$ 478,799 <hr/>	<hr/> \$ 75,970 <hr/>	<hr/> \$ 554,769 <hr/>
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	\$ -	\$ 65	\$ 65

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

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Village of North Bend, Hamilton County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides road maintenance. The Village contracts with the Hamilton County Sheriff's Department to provide security of persons and property, and with Miami Township to provide EMS and fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

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

Special Assessment – Life Squad Fund – This fund receives real estate and tangible personal property tax money for contracting with Miami Township for EMS and fire protection services for the Village.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH

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

	<u>2008</u>	<u>2007</u>
Demand Deposits	\$ 298,318	\$ 235,645
Certificates of Deposit	338,611	319,124
Total	<u>\$ 636,929</u>	<u>\$ 554,769</u>

Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 293,053	\$ 385,638	\$ 92,585
Special Revenue	158,750	169,758	11,008
Total	451,803	555,396	103,593

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 469,849	\$ 330,975	\$ 138,874
Special Revenue	191,749	142,261	49,488
Total	661,598	473,236	188,362

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 343,593	\$ 354,320	\$ 10,727
Special Revenue	190,195	209,895	19,700
Total	\$ 533,788	\$ 564,215	\$ 30,427

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 479,310	\$ 338,226	\$ 141,084
Special Revenue	244,664	189,605	55,059
Total	\$ 723,974	\$ 527,831	\$ 196,143

Contrary to Ohio Rev. Code Section 5705.36(A)(4), actual receipts were below estimated receipts, and the deficiency reduced available resources below the current level of appropriations in the Street Construction, Maintenance, and Repair Fund in 2007 and the Parks and Recreation Fund in 2008.

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not properly certify the availability of funds prior to purchase commitment for 14% and 22% of the expenditures tested during 2007 and 2008, respectively.

4. PROPERTY TAX

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

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. PROPERTY TAX (Continued)

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

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

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

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10.0% and 9.5%, respectively, of their gross salaries, and the Village contributed an amount equaling 14.00% and 13.85%, respectively, of participants' gross salaries. The Village paid all contributions required through December 31, 2008.

6. RISK MANAGEMENT

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio political subdivisions. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member political subdivisions 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 up to \$350,000 per claim, including loss adjustment expenses. PEP makes an annual contribution to APEEP. APEEP reinsures casualty claims exceeding \$350,000, up to \$2,650,000 per claim and \$5,000,000 in the aggregate per year. If losses exhaust PEP's net assets, APEEP covers PEP's retained casualty risk up to \$10,000,000 per year, subject to a per-claim limit of \$3,000,000. Local political subdivisions can elect additional coverage, up to a limit of \$12,000,000 from the General Reinsurance Corporation.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 in any one occurrence. APEEP reinsures property losses that are greater than \$100,000 up to \$250,000 per occurrence. The Travelers Indemnity Company reinsures losses exceeding \$250,000 up to \$600,000,000 per occurrence.

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.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2007 and 2006, (the latest information available):

	<u>2007</u>	<u>2006</u>
Statement of Net Assets		
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets-Unrestricted	<u>\$20,219,246</u>	<u>\$19,384,290</u>

7. INTERFUND TRANSFERS

During 2008 and 2007, the Village transferred monies from the General Fund, to the Street Construction, Maintenance, and Repair Fund, Special Revenue Fund Type. These transfers were determined to be appropriate and in compliance with the Ohio Revised Code.

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Certified Public Accountants, A.C.

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

July 24, 2009

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

To the Village Council:

We have audited the financial statements of the **Village of North Bend, Hamilton County, Ohio** (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 24, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Internal Control over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-001 through 2008-004.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2008-001 through 2008-003.

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance Citation/Significant Deficiency

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

As of December 31, 2007, actual receipts were below estimated receipts, and the deficiency reduced available resources below the current appropriations in the Street Construction, Maintenance, and Repair Fund. As of December 31, 2008, actual receipts were below estimated receipts, and the deficiency reduced available resources below the current appropriations in the Parks and Recreation Fund.

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

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2008-002

Noncompliance Citation/Significant Deficiency

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

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

1. "Then and Now" certificate - If the Clerk-Treasurer can certify that both at the time that the contract or order was made ("then"), and at the time that the Clerk-Treasurer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Village Council) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the Clerk-Treasurer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-002 (Continued)

Ohio Revised Code Section 5705.41(D)(1) (Continued)

2. Blanket Certificate – Clerk-Treasurer may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.

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

22% of the transactions tested in 2008 and 14% of the transactions tested in 2007 were not certified by the Clerk-Treasurer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

Management’s Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2008-003

Noncompliance Citation/Significant Deficiency

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

The budgetary financial accounting system is not updated throughout the year to reflect all amendments to estimated receipts and appropriations. The estimated receipts and appropriations per the budgetary financial accounting system do not agree to the amounts adopted by the Council in 2007 and 2008.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-003 (Continued)

Ohio Administrative Code Section 117-2-02(C)(1) (Continued)

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

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2008-004

Significant Deficiency

Posting Receipts

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

During 2008 and 2007, several receipts were not posted into accurate revenue classifications based on the source of the receipt. The following posting errors were noted:

- Homestead and Rollback revenues were improperly posted as Property and Other Local Taxes instead of Intergovernmental.
- Public utility reimbursement revenues were improperly posted as Charges for Services instead of Intergovernmental.
- Revenues from the sale of a truck were posted as Other Financing Sources instead of Sale of Fixed Assets.

Not posting revenues accurately resulted in the financial statements requiring several adjustments. The financial statements reflect all reclassifications.

We recommend the Clerk-Treasurer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF NORTH BEND
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC Section 117-2-02(C)(1) – Accounting system not updated for budgetary changes	No	Not Corrected; Repeated as Finding 2008-003
2006-002	Accounting for Taxes and Intergovernmental Receipts	No	Not Corrected; Repeated as Finding 2008-004
2006-003	ORC Section 5705.14(E) – Improper transfers	Yes	
2006-004	ORC Section 5705.39 – Appropriations exceeded estimated revenue	Yes	
2006-005	ORC Section 5705.36(A)(4) – Failure to acquire amended/reduced certificate	No	Not Corrected; Repeated as Finding 2008-001
2006-006	ORC Section 5705.09(F) – Failure to establish special funds	Yes	
2006-007	ORC Section 5705.41(B) – Expenditures exceeded appropriations	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF NORTH BEND

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 22, 2009**