



Dave Yost • Auditor of State

**Village of New Bavaria
Henry County**

Financial Emergency Termination

Local Government Services

Village of New Bavaria, Henry County

Fiscal Emergency Termination

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 Village of New Bavaria Financial Forecast
 For the Years Ending December 31, 2015, through December 31, 2019

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Dave Yost • Auditor of State

CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the Village of New Bavaria, the Auditor of State performed an analysis of the Village of New Bavaria to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the Village of New Bavaria no longer meets the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the Village of New Bavaria and its role in the operation of the Village of New Bavaria is terminated as of April 2, 2015.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Steve Aelker, Mayor of the Village of New Bavaria; Diane Aelker, President Pro-Tempore of Village Council; John Kasich, Governor; Timothy Keen, Director of the Office of Budget and Management; Josh Mandel, Treasurer of State; and Kevin Garringer, Henry County Auditor.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 2, 2015

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Village of New Bavaria, Henry County
Report on the Termination of the Village of New Bavaria
Financial Planning and Supervision Commission

Report on the Termination of the New Bavaria Financial Planning and Supervision Commission

At the request of the New Bavaria Financial Planning and Supervision Commission (the Commission), Henry County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Revised Code should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, and no new emergency conditions have occurred...; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”.

Results of our work under Section 118.27(A) of the Revised Code are as follows:

Pages four through seven of the report indicate that the Village has effectively implemented or is in the process of implementing corrections to its financial accounting and reporting system in accordance with Section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under Section 118.04 of the Revised Code. This analysis can be found beginning on page seven.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with Section 118.06 of the Revised Code. Specific conclusions can be found on page eleven.

We examined and issued a nonadverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated.

Village of New Bavaria, Henry County
Report on the Termination of the Village of New Bavaria
Financial Planning and Supervision Commission

It is understood that this report's determination is for the use of the Financial Planning and Supervision Commission of the Village of New Bavaria, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the Village of New Bavaria, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

Section 1 - Financial Accounting and Reporting System

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of New Bavaria (the Village) and issued a Report on Accounting Methods, dated February 28, 2013. The report identified areas where the Village's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report of Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct the issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary System

Auditor of State Comment from Report on Accounting Methods

The Village has a deficit fund balance contrary to Section 5705.10 of the Revised Code. The Village Fiscal Officer, as well as Council, must review the financial and budgetary activity to ensure compliance with Ohio budgetary law. This review should be ongoing and documented.

Implemented

The Village has eliminated all deficit fund balances.

Auditor of State Comment from Report on Accounting Methods

The Village is required to accept, by resolution, the tax rates determined by the County Budget Commission on or about October 1 of each year. The Village has failed to approve this resolution in prior years. This resolution must be approved by Village Council as required.

Implemented

Council adopted the resolution to accept amounts and tax rates for 2015 as determined by the County Budget Commission on October 7, 2014.

Village of New Bavaria, Henry County
Report on the Termination of the Village of New Bavaria
Financial Planning and Supervision Commission

Purchasing Process

Auditor of State Comment from Report on Accounting Methods

The Village does not have an appropriate approval process in place to initiate a purchase. Documented approvals do not occur until after the invoice has been paid. All purchases should be approved by the Mayor and certified by the Fiscal Officer prior to the order for goods or services being placed.

Implemented

All purchases are approved by the Village Council and certified by the Fiscal Officer prior to the order for goods or services.

Payroll Processing

Auditor of State Comment from Report on Accounting Methods

Currently, the only record of payroll is the purchase order prepared when the semi-annual payroll is paid. The Village should prepare a payroll journal which records the gross pay, deductions, net pay, check numbers, and dates for each payroll transaction and in total for the entire year.

Implemented

Payroll is prepared through the use of the UAN payroll software and paid monthly. The payroll journal within the system maintains all payroll data.

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer is not maintaining adequate personnel files. A file must be maintained for each individual including such information as the Form W-4, Form IT-4, and OPERS Personal History Record.

Implemented

The Fiscal Officer has established personnel files for all Village officials maintaining all relevant forms for each individual.

Inventory of Capital Assets

Auditor of State Comment from Report on Accounting Methods

The Village does not maintain an inventory of capital assets. Without an inventory of capital assets, the Village is unable to determine if there is adequate insurance coverage, whether assets have been lost or stolen, whether idle assets exist that can be sold to generate additional revenue, and whether assets are used in the most efficient manner. The Village should develop an inventory of all capital assets and update it annually. The Village should adopt policies and procedures to account for capital assets and develop an inventory of all capital assets.

Village of New Bavaria, Henry County
Report on the Termination of the Village of New Bavaria
Financial Planning and Supervision Commission

Implemented

The Village adopted a capital asset policy and prepared an inventory of all capital assets owned by the Village.

Financial Reporting

Auditor of State Comment from Report on Accounting Methods

In accordance with Section 117.38 of the Revised Code, the Village is required to file, within sixty days after close of the year, an annual financial report. Notice that the report is completed and available for review should be published in the local newspaper. The Village completed and filed the annual report as required; and published its availability; however, the publication was not within the required time frame.

Implemented

The notice for the availability of the annual report is being published timely.

Recording Official Proceedings

Auditor of State Comment from Report on Accounting Methods

The Village has not established a records commission as required by Section 149.39 of the Revised Code.

Implemented

The Village has established a records commission.

Auditor of State Comment from Report on Accounting Methods

The Village has not established rules for the retention and disposal of records as required by Section 149.39 of the Revised Code.

Implemented

The Village Council has adopted a records retention policy.

Auditor of State Comment from Report on Accounting Methods

Ohio Revised Code Sections 109.43 and 149.43 require elected officials, or their designees, to attend three hours of Ohio Public Records Laws training during their term of office. No Village officials have attended this training.

Implemented

The President of Council has attended the Ohio Public Records Laws training.

Village of New Bavaria, Henry County
Report on the Termination of the Village of New Bavaria
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The Village minutes should contain all actions of Village Council taken during the meeting, including the adoption of the previous minutes, any committee and commission reports, a roll call on the adoption of ordinances or resolutions, and a presentation of finances. The Fiscal Officer should maintain complete and accurate record of the Village meetings within the minutes. Minutes, once approved, should be signed by both the President of Council and the Fiscal Officer. The Village's minutes are often incomplete of the required information and lacking signatures.

Implemented

The minutes include a complete and accurate record of the Village meetings and are signed by the Mayor, President of Council, and the Fiscal Officer.

Audit Report and Management Letters

The Village Council and Officials receive a compliance and management letter at the conclusion of each annual audit. The letters that accompanied the December 31, 2011, and 2012 audit identified several noncompliance issues and several recommendations. The compliance letter recommended separating the duties of the Fiscal Officer and preparing payroll registers and ledgers.

The management letter included recommendations on establishing an audit committee, maintaining documentation for cash disbursements, and maintaining an inventory of capital assets. Compliance citations in the management letter included not using purchase orders, certifying the ending balances and amounts available for expenditure to the Henry County Auditor, adopting a resolution to accept the amounts and tax rates as set by the Henry County Budget Commission, deficit cash balances, adoption of a public records policy and records retention schedule along with attending Ohio Public Law's training, and publish the notice on the availability of the annual report for review. All of these items have been corrected.

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(3)(b) of the Ohio Revised Code, the Village shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code. The Village does not have any debt.

Village of New Bavaria, Henry County
Report on the Termination of the Village of New Bavaria
Financial Planning and Supervision Commission

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or
- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We obtained an understanding of the payroll process through discussion with the Fiscal Officer. We obtained payroll reports and pay rate legislation. We reviewed bank statements to determine whether Village employees were paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and there was sufficient fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Revised Code as of December 31, 2014. All employees have been paid in amounts and at the times required by ordinance.

Condition Three - Increase in Minimum Tax Levy

Section 118.03(A)(3) of the Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Henry County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the Village for 2013 or 2014, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Henry County Budget Commission indicated that the Commission had not taken any action for tax year 2013 or 2014 to increase the inside millage of the Village.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as of December 31, 2014.

Village of New Bavaria, Henry County
Report on the Termination of the Village of New Bavaria
Financial Planning and Supervision Commission

Condition Four - Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year end balance in the general fund and in respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

We prepared a schedule of accounts payable as of December 31, 2014, for all funds that were due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2014, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties. There were no payables over thirty days past due in any fund.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Revised Code as of December 31, 2014. There were no payables over thirty days past due.

Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at December 31, 2014, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code. There were no deficit fund balances at December 31, 2014.

Village of New Bavaria, Henry County
 Report on the Termination of the Village of New Bavaria
 Financial Planning and Supervision Commission

Condition Six - Treasury Balances

Section 118.03(A)(6) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village's reconciled bank balance to its statement of cash position by fund for all funds as of December 31, 2014, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all cash balances.

Schedule I	
Treasury Balance	
Ohio Revised Code Section 118.03(A)(6)	
As of December 31, 2014	
	Amounts at December 31, 2014
Bank Cash Balance	
Henry County Bank	\$55,193
Less Reconciling Factors for	
Outstanding Checks	(194)
Total Treasury Balance	54,999
Positive Fund Balances	
General	19,430
Street Maintenance	35,569
Total Positive Fund Balances	54,999
Treasury Deficiency	\$0

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of December 31, 2014. The treasury balance less the positive fund cash balances as of December 31, 2014, did not exceed one-sixth of the treasury receipts for the year.

Section 3 - Financial Plan Objectives

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

Section 4 - Financial Forecast

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under Section 118.27(A)(3)(d) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a nonadverse report. The financial forecast is contained in Appendix A.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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APPENDIX A

**Village of New Bavaria
Henry County**

Financial Forecast

For the Years Ending December 31, 2015 Through December 31, 2019

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Village of New Bavaria, Henry County

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Dave Yost • Auditor of State

Village Council
Village of New Bavaria
P. O. Box 256
New Bavaria, Ohio 43548

Based upon the requirement set forth in section 118.27(A)(3)(d) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statement of revenues, expenditures, and changes in fund balance of the General Fund of the Village of New Bavaria, for the five years ending December 31, 2019. These statements are presented on the budget basis of accounting used by the Village of New Bavaria rather than on generally accepted accounting principles. The Village of New Bavaria's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the Village of New Bavaria and the Financial Planning and Supervision Commission of New Bavaria and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 30, 2015

Village of New Bavaria, Henry County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2012, Through 2014, Actual
and Ending December 31, 2015, Through 2019, Forecasted

General Fund

	2012 Actual	2013 Actual	2014 Actual	2015 Forecasted
<u>Revenues</u>				
Property Taxes	\$5,830	\$4,680	\$4,510	\$4,510
Income Taxes	13,730	19,590	20,030	19,560
Intergovernmental	2,970	2,570	2,560	2,450
Charges for Services	780	720	850	780
Donations	1,240	140	160	0
Other Revenues	0	3,600	0	0
Total Revenues	24,550	31,300	28,110	27,300
<u>Expenditures</u>				
Security of Persons and Property				
Fire Department				
Contractual Services	380	440	520	620
Street Lighting				
Contractual Services	3,120	2,720	2,880	3,220
Total Security of Persons and Property	3,500	3,160	3,400	3,840
Leisure Time Activities				
Parks				
Contractual Services	1,150	1,060	1,700	2,680
Supplies and Materials	470	190	590	400
Capital Outlay	0	0	0	4,500
Total Leisure Time Activities	1,620	1,250	2,290	7,580
Basic Utilities				
Storm Sewers				
Contractual Services	0	0	0	1,500
General Government				
Mayor				
Personal Services	700	680	710	700
Contractual Services	0	200	0	0
Total Mayor	700	880	710	700
Council				
Personal Services	1,000	880	1,200	1,440
Fiscal Officer				
Personal Services	900	880	910	940
Travel	60	70	120	150
Contractual Services	1,220	580	3,820	4,120
Supplies and Materials	60	60	630	500
Total Fiscal Officer	2,240	1,590	5,480	5,710
Lands/Buildings				
Contractual Services	2,100	2,090	2,180	2,590
Property Tax Collection Fees				
Contractual Services	260	150	70	190

2016 Forecasted	2017 Forecasted	2018 Forecasted	2019 Forecasted
\$4,510	\$4,510	\$1,940	\$1,940
19,960	20,360	20,770	21,190
2,450	2,070	2,070	2,070
780	780	780	780
0	0	0	0
0	0	0	0
<u>27,700</u>	<u>27,720</u>	<u>25,560</u>	<u>25,980</u>
690	770	870	970
<u>3,610</u>	<u>4,040</u>	<u>4,520</u>	<u>5,070</u>
<u>4,300</u>	<u>4,810</u>	<u>5,390</u>	<u>6,040</u>
2,800	2,930	3,060	3,210
830	410	850	420
<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
<u>7,630</u>	<u>7,340</u>	<u>7,910</u>	<u>7,630</u>
<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>
700	700	700	700
0	250	0	0
<u>700</u>	<u>950</u>	<u>700</u>	<u>700</u>
<u>1,440</u>	<u>1,440</u>	<u>1,440</u>	<u>1,440</u>
990	1,050	1,090	1,150
150	150	150	150
1,180	4,180	1,250	4,250
<u>520</u>	<u>550</u>	<u>580</u>	<u>610</u>
<u>2,840</u>	<u>5,930</u>	<u>3,070</u>	<u>6,160</u>
<u>2,860</u>	<u>3,170</u>	<u>3,520</u>	<u>3,900</u>
<u>210</u>	<u>230</u>	<u>250</u>	<u>280</u>

(continued)

Village of New Bavaria, Henry County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2012, Through 2014, Actual
and Ending December 31, 2015, Through 2019, Forecasted
(continued)

General Fund

	2012 Actual	2013 Actual	2014 Actual	2015 Forecasted
<u>Expenditures (continued)</u>				
General Government (continued)				
State of Ohio				
Contractual Services	\$1,440	\$1,310	\$800	\$0
Solicitor				
Contractual Services	0	0	0	400
Income Tax				
Contractual Services	420	810	930	1,140
Other General Government				
Personal Services	510	500	480	740
Total General Government	8,670	8,210	11,850	12,910
Total Expenditures	13,790	12,620	17,540	25,830
Change in Fund Balance	10,760	18,680	10,570	1,470
Fund Balance (Deficit) Beginning of Year	(20,580)	(9,820)	8,860	19,430
Fund Balance (Deficit) End of Year	(\$9,820)	\$8,860	\$19,430	\$20,900

2016 Forecasted	2017 Forecasted	2018 Forecasted	2019 Forecasted
\$0	\$0	\$0	\$0
200	200	200	200
1,210	1,280	1,360	1,440
750	770	780	790
10,210	13,970	11,320	14,910
23,640	27,620	26,120	30,080
4,060	100	(560)	(4,100)
20,900	24,960	25,060	24,500
<u>\$24,960</u>	<u>\$25,060</u>	<u>\$24,500</u>	<u>\$20,400</u>

Village of New Bavaria, Henry County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, Through 2019

Note 1 - The Village

The Village of New Bavaria is located in northwest Ohio in Henry County. 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. Operating as a statutory village, New Bavaria must comply with all State laws regulating village government. The decision making process is directed by an elected Village Council and Mayor. The Village Council is the legislative authority of the Village and consists of six members who are elected at large and serve terms of four years. The Mayor is the chief executive officer of the Village and serves a term of four years.

On May 6, 2010, the Auditor of State's Office declared the Village of New Bavaria to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor, President Pro Tempore of Village Council, one individual whose residency or principal place of business is within the Village, and a designee from both the State Treasurer's Office and the Office of Budget and Management. This Commission is required to adopt a financial recovery plan for the Village. Once the plan has been adopted, the Village's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

The Village of New Bavaria provides general government services including street maintenance and repair, street lighting, and park maintenance. The operation of each of these activities is directly controlled by the Village Council through the budgetary process. The administration includes the Mayor and the Fiscal Officer.

Note 2 - Nature of Presentation

This financial forecast presents, to the best of the Village's knowledge and belief, the expected revenues, expenditures, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village's judgment, as of January 30, 2014, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the Village. For the Village of New Bavaria, this consists of the General Fund.

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Village of New Bavaria, Henry County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, through 2019

Note 3 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The Village maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The General Fund is the operating fund of the Village and 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 disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the Village, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriations for the full year are not ready for approval by Village Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

Village of New Bavaria, Henry County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2015, through 2019

Note 3 - Summary of Significant Accounting Policies (continued)

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Note 4 - General Revenue Assumptions - All Funds

A. Property Taxes

Property tax revenues consist of real property, public utility real and personal property. The Village may request advances from the Henry County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account "intergovernmental revenue".

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2011 for taxes collected in 2012. The triennial update occurred in 2014 for taxes to be collected in 2015 with the next reappraisal scheduled for 2017.

The Village's assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	Collection Year			
	2011	2012	2013	2014
Real Property				
Residential and Agriculture	\$1,004,150	\$937,670	\$937,670	\$930,480
Commercial and Industrial	82,690	80,410	80,410	80,410
Public Utility Property				
Personal	14,570	15,040	16,150	17,850
Total Assessed Value	<u>\$1,101,410</u>	<u>\$1,033,120</u>	<u>\$1,034,230</u>	<u>\$1,028,740</u>

Property tax revenues are generated from the inside millage and operating levy receipted into the General Fund.

Village of New Bavaria, Henry County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2015, through 2019

Note 4 - General Revenue Assumptions - All Funds (continued)

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Levy Type	Fund	Original Year Approved	Latest Year Renewed	First Year of Collection	Last Year of Collection	Total Rate (Per \$1,000 of Assessed Valuation)
Inside Millage	General	n/a	n/a	n/a	n/a	\$2.20
Operating	General	2012	2012	2013	2017	3.00
Total						\$5.20

For the forecast period, the operating levy is not expected to be renewed when it expires.

Public utility real taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies.

Real Property - Real property taxes in 2012 included a significant receipt in delinquent property taxes in the August settlement. The operating levy in the General Fund will expire as of December 31, 2017, and will not be renewed. There is no growth or development anticipated in the Village.

B. Municipal Income Taxes

The Village levies a municipal income tax of one percent on all income earned within the Village as well as on income of residents earned outside the Village. The Village does not allow a credit for income taxes paid to another municipality. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a final return annually.

The Village implemented the tax on October 5, 2010, and collection began on July 1, 2011.

All income tax revenue is credited to the General Fund and used to pay the cost of administering the tax and for general governmental operations. Income tax revenues are expected to increase approximately two percent each year based on an increase in business and individual earnings. Due to geographic limitations, no growth is expected in the Village.

C. Intergovernmental Revenues

Intergovernmental revenues include local government monies and property tax allocations for rollback, homestead, and tangible personal property loss reimbursements. The local government funds are distributed monthly by the State to the Village and by the County Auditor to the Village. The property tax allocations for rollback, homestead, and tangible personal property are received from the State and are based on information provided by the County Auditor.

Village of New Bavaria, Henry County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, through 2019

Note 4 - General Revenue Assumptions - All Funds (continued)

Until calendar year 2011, local governments were reimbursed in full by the State for their levy losses related to the phase out of business personal property tax and the reduction of assessment rates on personal property for electric and natural gas companies.

In 2011, House Bill 153 modified the schedule for making those reimbursements by accelerating the previous mandated phase out.

In 2012, House Bill 508 went into effect. It provided technical changes to the formula used to calculate fixed rate losses pertaining to utility personal property tax and business personal property tax expense levies. In addition, beginning in 2012, the amount to be reimbursed to a local government for fixed sum levies was reduced from 100 percent to 50 percent.

Since 1971, the State has reimbursed local governments for lost tax revenue related to State mandated rollback and homestead exemptions. House Bill 59 signed in 2013 effected these reductions. The new law indicates that the 10 percent and 2.5 percent rollbacks will no longer apply to new levies that are enacted after August 31, 2013. In addition, House Bill 59 adjusted the homestead exemption and it will now be a means tested provision only available to those otherwise eligible taxpayers with household incomes that do not exceed \$30,000. These changes reduce reimbursements from the State and increase real property tax revenue.

Section 503.12(B) of House Bill 66 established a Task Force to study potential sources of State funding for the local government and the local government revenue assistance programs that have the capacity for growth and stability in the funding levels and that considers the changes to the Ohio tax code. In December 2006, the Task Force submitted a report to the Governor and to the General Assembly setting forth its recommendations. The State Budget bill for fiscal years 2008 and 2009 replaced the percentage of tax methodology with a percentage of tax receipts formula. In general, the formula proposes that the three local government funds at the State level receive a percentage of the general revenue fund tax receipts in total collected by the State. In 2011, House Bill 153 made reductions in the local government funding for fiscal years 2012 and 2013. These reductions are approximately 25 percent and 50 percent less than 2011 funding amounts for 2012 and 2013, respectively. No increases are projected for future years.

Note 5 - Specific Fund Revenue Assumptions

A. General Fund

Charges for Services - The Village receives a payment of \$65 per month from the local telephone company for land rented for the Watch television tower. No change in this revenue source is expected throughout the forecast period.

Other - In 2013, the Village received reimbursement for providing telephone service in the township hall. The Village also received a one-time payment from Toledo Edison for adopting the governmental electricity aggregation program.

Village of New Bavaria, Henry County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, through 2019

Note 6 - General Expenditure Assumptions - All Funds

A. Personal Services

Personal services consist of salaries paid monthly to the elected officials and the Fiscal Officer of the Village. Personal services also includes all salary related costs such as pension contributions, Medicare, and workers' compensation. The Village does not provide any other form of compensation, such as paid leave.

The Village Council consists of six members with an annual salary of \$240. Village Council is paid from the General Fund.

The Mayor's annual salary is \$700 and the Fiscal Officer's annual salary is \$900. The Mayor and Fiscal Officer are paid from the General Fund. A two percent increase in the Fiscal Officer's salary is expected throughout the forecast period.

Benefits include employer contributions to the State pension system, workers' compensation, social security, and Medicare. The Village does not provide health care or any other insurance benefits.

The Mayor and Fiscal Officer participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent of their annual salary and the Village is required to contribute 14 percent of their annual salary. Council members pay into Social Security.

All elected officials and the Fiscal Officer are required to pay into Medicare. The Medicare contribution is 1.45 percent of their annual salary.

Workers' compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. A slight increase is expected annually.

B. Contractual Services

Contractual services include property and liability insurance, electric utility charges, postage, printing, advertising, professional dues, legal fees, auditor and treasurer fees, and accounting and auditing services.

For 2015 through 2019, property and liability insurance is anticipated to increase approximately 11 percent annually based upon historical trends.

Increases in electric utility costs are projected to increase approximately 12 percent based upon historical trends.

For 2015 through 2019, the Village has forecasted for the repair of storm sewers.

Audit costs are forecasted every other year as reflected in the Fiscal Officer's contractual services expenditures.

The services of legal counsel are contracted on an as needed basis.

Village of New Bavaria, Henry County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, through 2019

Note 6 - General Expenditure Assumptions - All Funds (continued)

C. Supplies and Materials

Supplies and materials expenditures include office supplies, operating supplies (salt and gasoline), and repair and maintenance costs. Supplies and materials are anticipated to increase between 5 and 12 percent per year based upon historical trends.

D. Capital Outlay

Capital outlay is forecasted for the purchase of playground equipment in the Village park.

Note 7 - Other Funds

The Village has one fund that accounts for resources that are restricted for street maintenance. This fund is anticipated to have sufficient resources to meet its obligations during the forecasted period.

Note 8 - Pending Litigation

The Village currently has no pending litigation.



Dave Yost • Auditor of State

VILLAGE OF NEW BAVARIA

HENRY 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
APRIL 2, 2015**