



Dave Yost • Auditor of State

VILLAGE OF ST. BERNARD
HAMILTON COUNTY

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of St. Bernard, Hamilton County, Ohio (the Village), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of St. Bernard, Hamilton County, Ohio, as of December 31, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 6, 2016

VILLAGE OF ST. BERNARD, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2014*

Unaudited

The discussion and analysis of the Village of St. Bernard's financial performance provides an overall review of the Village's financial activities for the fiscal year ended December 31, 2014. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Village's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2014 are as follows:

- ❑ Net Position decreased \$259,626, which represents a 1.3% decrease from 2013.
- ❑ General revenues accounted for \$11.8 million in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1.6 million or just less than 12% of total revenues of \$13.4 million.
- ❑ The Village had \$13.7 million in expenses related to governmental activities; only \$1.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$11.8 million and Net Position were adequate to provide for these programs.
- ❑ Among major funds, the General Fund had \$12.55 million in revenues and \$11.98 million in expenditures and other financing uses. The General Fund's fund balance increased \$539,305 to \$3,036,467.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

VILLAGE OF ST. BERNARD, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2014*

Unaudited

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

VILLAGE OF ST. BERNARD, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2014***

Unaudited

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The following table provides a comparison of the Village's Net Position as of December 31, 2014 and 2013:

	Governmental Activities	
	2014	2013
Current and other assets	\$10,427,469	\$17,958,505
Capital assets, Net	33,833,195	26,832,495
Total assets	44,260,664	44,791,000
Long-term debt outstanding	22,457,145	22,508,462
Other liabilities	559,162	855,710
Total liabilities	23,016,307	23,364,172
Deferred Inflows of Resources	803,556	726,401
Net position		
Net investment in capital assets	17,648,122	18,166,614
Restricted	1,540,193	1,456,543
Unrestricted	1,252,486	1,077,270
Total net position	\$20,440,801	\$20,700,427

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VILLAGE OF ST. BERNARD, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2014**

Unaudited

Changes in Net Position – The following table shows the changes in Net Position for the fiscal year 2014 and 2013:

	Governmental Activities	
	2014	2013
Revenues		
Program revenues:		
Charges for Services and Sales	\$1,010,177	\$1,155,134
Operating Grants and Contributions	211,511	205,089
Capital Grants and Contributions	376,399	755,000
General revenues:		
Municipal Income Taxes	10,206,519	9,262,607
Property Taxes	912,109	976,548
Grants and Entitlements not Restricted to Specific Programs	567,215	810,575
Investment Earnings	38,114	19,607
Miscellaneous	80,722	13,478
Total revenues	13,402,766	13,198,038
Program Expenses		
Security of Persons and Property	5,038,856	4,696,824
Public Health and Welfare Services	53,680	51,292
Leisure Time Activities	410,824	509,681
Community Environment	139,415	79,565
Transportation	1,658,256	1,580,949
General Government	4,398,766	5,493,504
Other Expenditures	1,291,361	1,959,958
Interest and Fiscal Charges	671,234	1,156,232
Total expenses	13,662,392	15,528,005
Total Change in Net Position	(259,626)	(2,329,967)
Beginning Net Position	20,700,427	23,030,394
Ending Net Position	\$20,440,801	\$20,700,427

Governmental Activities

Net Position of the Village's governmental activities decreased \$259,626. This decrease can mostly be attributed expenditures outpacing revenues in 2014.

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

VILLAGE OF ST. BERNARD, OHIO

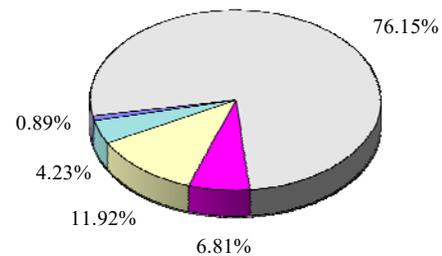
**Management's Discussion and Analysis
For the Year Ended December 31, 2014**

Unaudited

The Village also receives an income tax. The income tax is based on 2.1% of all salaries, wages, commissions and other compensation and on net profits earned within the Village as well as on income of residents earned outside the Village.

Municipal income taxes and property taxes made up 76.15% and 6.81% respectively of revenues for governmental activities for the Village in fiscal year 2014. The Village's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2014	Percent of Total
Municipal Income Taxes	\$10,206,519	76.15%
Property Taxes	912,109	6.81%
Program Revenues	1,598,087	11.92%
Grants and Entitlements	567,215	4.23%
General Other	118,836	0.89%
Total Revenue	<u>\$13,402,766</u>	<u>100.00%</u>



FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The Village's governmental funds reported a combined fund balance of \$8,686,254, which is a decrease from last year's balance of \$15,698,910. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2014 and 2013:

	Fund Balance December 31, 2014	Fund Balance December 31, 2013	Increase (Decrease)
General	\$3,036,467	\$2,497,162	\$539,305
Community Improvement Corporation	(305,544)	(398,299)	92,755
Capital Improvement	4,085,497	11,885,838	(7,800,341)
Other Governmental	1,869,834	1,714,209	155,625
Total	<u>\$8,686,254</u>	<u>\$15,698,910</u>	<u>(\$7,012,656)</u>

VILLAGE OF ST. BERNARD, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2014***

Unaudited

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

	2014 Revenues	2013 Revenues	Increase (Decrease)
Taxes	\$11,182,109	\$10,370,119	\$811,990
Intergovernmental Revenues	572,477	818,492	(246,015)
Charges for Services	245,438	214,347	31,091
Licenses and Permits	50,311	98,723	(48,412)
Investment Earnings	38,073	21,334	16,739
Fines and Forfeitures	41,886	41,707	179
All Other Revenue	419,377	610,608	(191,231)
Total	\$12,549,671	\$12,175,330	\$374,341

General Fund revenues in 2014 increased 3.1% compared to revenues in fiscal year 2013. This can mostly be attributed to an increase in tax revenues covering decreases in other revenue categories.

	2014 Expenditures	2013 Expenditures	Increase (Decrease)
Security of Persons and Property	\$4,624,449	\$4,680,442	(\$55,993)
Public Health and Welfare Services	53,680	51,292	2,388
Leisure Time Activities	100,436	141,765	(41,329)
Transportation	78,482	93,617	(15,135)
General Government	4,250,662	4,503,882	(253,220)
Other Expenditures	1,291,361	1,959,958	(668,597)
Total	\$10,399,070	\$11,430,956	(\$1,031,886)

VILLAGE OF ST. BERNARD, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2014

Unaudited

General Fund expenditures decreased \$1,031,886 under the prior year due mainly to decreased costs associated with the Bank Avenue Litigation and settlement which occurred in 2013.

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

During the course of fiscal year 2014 the Village amended its General Fund budget several times.

For the General Fund, actual budget basis revenues were higher than original and final estimates due primarily to higher than anticipated tax receipts and intergovernmental revenues. Final budgeted expenditures increased by \$4.4 million versus original budget to account for increased general government expenditures and transfers out. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014 the Village had \$33,833,195 net of accumulated depreciation invested in land, land improvements, buildings and improvements, infrastructure, and machinery and equipment. The following table shows fiscal year 2014 and 2013 balances:

	Governmental Activities		Increase (Decrease)
	2014	2013	
Land	\$8,583,376	\$8,465,495	\$117,881
Land Improvements	5,535,857	4,823,804	712,053
Buildings and Improvements	15,514,519	8,319,629	7,194,890
Infrastructure	17,922,156	17,538,283	383,873
Machinery and Equipment	5,999,498	5,951,154	48,344
Less: Accumulated Depreciation	(19,722,211)	(18,265,870)	(1,456,341)
Totals	\$33,833,195	\$26,832,495	\$7,000,700

The overall net change in capital assets is a result of additions to land, buildings and improvements and infrastructure. Additional information on the Village's capital assets can be found in Note 8.

VILLAGE OF ST. BERNARD, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2014***

Unaudited

Debt

At December 31, 2014, the Village had \$20,257,768 in bonds outstanding, \$348,281 due within one year. The following table summarizes the Village's debt outstanding as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Governmental Activities:		
General Obligation Bonds	\$20,257,768	\$20,551,049
Capital Leases Payable	153,470	0
Ohio Public Works Commission Loans	19,286	21,728
Police/Fire Accrued Pension	687,443	708,203
Compensated Absences	1,339,178	1,227,482
Total Governmental Activities	<u>\$22,457,145</u>	<u>\$22,508,462</u>

Additional information on the Village's long-term debt can be found in Note 13.

ECONOMIC FACTORS

The preceding financial information reflects that with the lower property taxes and the decline in local government funds the Village still remains heavily dependent on its local earnings tax and property taxes. In 2014 the Village's expenditures were higher than normal due to larger tax refunds, higher medical costs and the Bank Avenue Litigation. The Village is continuing to work with the Ohio EPA to address all issues and remains positive everything will be addressed.

During to 2013 the Village issued \$18.185 million in General Obligation Bonds to fund the construction of the Service Department Building, the Safety Center and the Vine St. Street Streetscape project. The proceeds also allowed the Village to pay off the Shopping Center and Imwallee Property Loans along with reimbursement for the Bank Avenue Litigation Costs.

The Village's goal is to continue to offer outstanding services to its residents and businesses while upgrading housing stock and moving forward with major projects. With careful planning and monitoring of the Village's finances, management is confident that current and future funding challenges can be overcome and quality services will continue to be provided to the people and businesses of St. Bernard.

VILLAGE OF ST. BERNARD, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2014*

Unaudited

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information contact Peggy Brickweg, Village Auditor of the Village of St. Bernard.

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VILLAGE OF ST. BERNARD, OHIO

Statement of Net Position *December 31, 2014*

	Governmental Activities
Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 7,875,642
Cash and Cash Equivalents with Fiscal Agent	247,857
Receivables:	
Taxes	2,003,194
Accounts	18,749
Intergovernmental	171,611
Interest	4,494
Other Assets	1,500
Inventory of Supplies at Cost	42,621
Prepaid Items	57,586
Restricted Assets:	
Cash and Cash Equivalents	4,215
Capital Assets:	
Capital Assets Not Being Depreciated	8,583,376
Capital Assets Being Depreciated, Net	25,249,819
Total Assets	44,260,664
Liabilities:	
Accounts Payable	63,561
Accrued Wages and Benefits	110,764
Intergovernmental Payable	213,404
Claims Payable	97,972
Accrued Interest Payable	73,461
Noncurrent liabilities:	
Due within one year	551,474
Due in more than one year	21,905,671
Total Liabilities	23,016,307
Deferred Inflows of Resources:	
Property Tax Levy for Next Fiscal Year	803,556
Net Position:	
Net Investment in Capital Assets	17,648,122
Restricted For:	
Capital Projects	592,824
Debt Service	307,433
Other Purposes	639,936
Unrestricted	1,252,486
Total Net Position	\$ 20,440,801

See accompanying notes to the basic financial statements

VILLAGE OF ST. BERNARD, OHIO

Statement of Activities For the Year Ended December 31, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Security of Persons and Property	\$ 5,038,856	\$ 169,118	\$ 0	\$ 0	\$ (4,869,738)
Public Health and Welfare Services	53,680	0	0	0	(53,680)
Leisure Time Activities	410,824	57,046	0	376,399	22,621
Community Environment	139,415	301,350	0	0	161,935
Transportation	1,658,256	12,864	211,511	0	(1,433,881)
General Government	4,398,766	139,522	0	0	(4,259,244)
Other Expenditures	1,291,361	330,277	0	0	(961,084)
Interest and Fiscal Charges	671,234	0	0	0	(671,234)
Totals	\$ 13,662,392	\$ 1,010,177	\$ 211,511	\$ 376,399	(12,064,305)
 General Revenues					
Municipal Income Taxes					10,206,519
Property Taxes					912,109
Grants and Entitlements not Restricted to Specific Programs					567,215
Investment Earnings					38,114
Miscellaneous					80,722
Total General Revenues					11,804,679
Change in Net Position					(259,626)
Net Position Beginning of Year					20,700,427
Net Position End of Year					\$ 20,440,801

See accompanying notes to the basic financial statements

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VILLAGE OF ST. BERNARD, OHIO

Balance Sheet
Governmental Funds
December 31, 2014

	General	Community Improvement Corporation	Capital Improvement
Assets:			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 2,476,683	\$ 167,956	\$ 4,091,981
Cash and Cash Equivalents with Fiscal Agent	0	0	0
Taxes	1,956,904	0	0
Accounts	18,511	0	0
Intergovernmental	94,068	0	0
Interest	4,494	0	0
Other Assets	0	1,500	0
Inventory of Supplies, at Cost	42,621	0	0
Prepaid Items	57,086	0	0
Restricted Assets:			
Cash and Cash Equivalents	4,215	0	0
Advance to Other Funds	0	0	0
Total Assets	\$ 4,654,582	\$ 169,456	\$ 4,091,981
Liabilities:			
Accounts Payable	\$ 54,602	\$ 0	\$ 6,484
Accrued Wages and Benefits Payable	106,592	0	0
Intergovernmental Payable	202,025	0	0
Claims Payable	97,972	0	0
Advances from Other Funds	0	475,000	0
Total Liabilities	461,191	475,000	6,484
Deferred Inflows of Resources:			
Unavailable Amounts	396,110	0	0
Property Tax Levy for Next Fiscal Year	760,814	0	0
Total Deferred Inflows of Resources	1,156,924	0	0
Fund Balances:			
Nonspendable	99,707	0	0
Restricted	0	0	4,085,497
Committed	0	0	0
Assigned	37,299	0	0
Unassigned	2,899,461	(305,544)	0
Total Fund Balances	3,036,467	(305,544)	4,085,497
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,654,582	\$ 169,456	\$ 4,091,981

See accompanying notes to the basic financial statements

VILLAGE OF ST. BERNARD, OHIO

	<u>Other Governmental Funds</u>		<u>Total Governmental Funds</u>
\$	1,139,022	\$	7,875,642
	247,857		247,857
	46,290		2,003,194
	238		18,749
	77,543		171,611
	0		4,494
	0		1,500
	0		42,621
	500		57,586
	0		4,215
	<u>475,000</u>		<u>475,000</u>
\$	<u>1,986,450</u>	\$	<u>10,902,469</u>
\$	2,475	\$	63,561
	4,172		110,764
	11,379		213,404
	0		97,972
	<u>0</u>		<u>475,000</u>
	<u>18,026</u>		<u>960,701</u>
	55,848		451,958
	<u>42,742</u>		<u>803,556</u>
	<u>98,590</u>		<u>1,255,514</u>
	500		100,207
	1,788,819		5,874,316
	80,515		80,515
	0		37,299
	<u>0</u>		<u>2,593,917</u>
	<u>1,869,834</u>		<u>8,686,254</u>
\$	<u>1,986,450</u>	\$	<u>10,902,469</u>

VILLAGE OF ST. BERNARD, OHIO

Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2014

Total Governmental Fund Balances	\$	8,686,254
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		33,833,195
Other long-term assets are not available to pay for current- period expenditures and therefore are reported as deferred inflows of resources in the funds.		451,958
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Ohio Public Works Commission Loans Payable	(19,286)	
General Obligation Bonds Payable	(20,257,768)	
Police/Fire Accrued Pension Liability	(687,443)	
Capital Lease Payable	(153,470)	
Compensated Absences Payable	(1,339,178)	
Accrued Interest Payable	(73,461)	
	<u> </u>	<u>(22,530,606)</u>
<i>Net Position of Governmental Activities</i>	\$	<u>20,440,801</u>

See accompanying notes to the basic financial statements

VILLAGE OF ST. BERNARD, OHIO

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VILLAGE OF ST. BERNARD, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014**

	General	Community Improvement Corporation	Capital Improvement
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes	\$ 11,182,109	\$ 0	\$ 0
Intergovernmental Revenues	572,477	0	406,060
Charges for Services	245,438	161,668	0
Licenses and Permits	50,311	0	0
Investment Earnings	38,073	46	0
Fines and Forfeitures	41,886	0	0
All Other Revenue	419,377	70,456	0
Total Revenue	<u>12,549,671</u>	<u>232,170</u>	<u>406,060</u>
Expenditures:			
Current:			
Security of Persons and Property	4,624,449	0	0
Public Health and Welfare Services	53,680	0	0
Leisure Time Activities	100,436	0	0
Community Environment	0	139,415	0
Transportation	78,482	0	0
General Government	4,250,662	0	0
Other Expenditures	1,291,361	0	0
Capital Outlay	0	0	8,206,401
Debt Service:			
Principal Retirement	0	0	0
Interest & Fiscal Charges	0	0	0
Total Expenditures	<u>10,399,070</u>	<u>139,415</u>	<u>8,206,401</u>
Excess (Deficiency) of Revenues Over Expenditures	2,150,601	92,755	(7,800,341)
Other Financing Sources (Uses):			
Capital Lease Initiated	0	0	0
Transfers In	0	0	0
Transfers Out	(1,578,076)	0	0
Total Other Financing Sources (Uses)	<u>(1,578,076)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	572,525	92,755	(7,800,341)
Fund Balances (Deficits) at Beginning of Year	2,497,162	(398,299)	11,885,838
Decrease in Inventory Reserve	(33,220)	0	0
Fund Balances (Deficits) End of Year	<u>\$ 3,036,467</u>	<u>\$ (305,544)</u>	<u>\$ 4,085,497</u>

See accompanying notes to the basic financial statements

VILLAGE OF ST. BERNARD, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 58,082 352,492 92,891 0 89 8,301 571 <hr style="border-top: 1px solid black;"/> 512,426 <hr style="border-top: 1px solid black;"/>	\$ 11,240,191 1,331,029 499,997 50,311 38,208 50,187 490,404 <hr style="border-top: 1px solid black;"/> 13,700,327 <hr style="border-top: 1px solid black;"/> 4,632,101 53,680 236,090 139,415 745,854 4,250,662 1,291,361 8,518,539 290,317 703,089 <hr style="border-top: 1px solid black;"/> 20,861,108 <hr style="border-top: 1px solid black;"/> (7,160,781)
7,652 0 135,654 0 667,372 0 0 312,138 290,317 703,089 <hr style="border-top: 1px solid black;"/> 2,116,222 <hr style="border-top: 1px solid black;"/>	(1,603,796)
181,345 1,578,076 0 <hr style="border-top: 1px solid black;"/> 1,759,421 <hr style="border-top: 1px solid black;"/> 155,625 1,714,209 0 <hr style="border-top: 1px solid black;"/> \$ 1,869,834 <hr style="border-top: 1px solid black;"/>	181,345 1,578,076 (1,578,076) <hr style="border-top: 1px solid black;"/> 181,345 <hr style="border-top: 1px solid black;"/> (6,979,436)
155,625 1,714,209 0 <hr style="border-top: 1px solid black;"/> \$ 1,869,834 <hr style="border-top: 1px solid black;"/>	(6,979,436)
1,714,209 0 <hr style="border-top: 1px solid black;"/> \$ 1,869,834 <hr style="border-top: 1px solid black;"/>	15,698,910 (33,220) <hr style="border-top: 1px solid black;"/> \$ 8,686,254 <hr style="border-top: 1px solid black;"/>

VILLAGE OF ST. BERNARD, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended December 31, 2014***

Net Change in Fund Balances - Total Governmental Funds \$ (6,979,436)

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

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

Capital Outlay	8,465,337	
Depreciation Expense	<u>(1,463,670)</u>	7,001,667

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals) is to decrease net position. (967)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (297,561)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. (181,345)

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bond Principal Payment	260,000	
Amortization of General Obligation Bond Premium	33,281	
Ohio Public Works Commission Loan Principal Payment	2,442	
Capital Lease Principal Payment	<u>27,875</u>	323,598

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (1,426)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	(111,696)	
Police/Fire Accrued Pension Payment	20,760	
Change in Inventory	<u>(33,220)</u>	<u>(124,156)</u>

Change in Net Position of Governmental Activities \$ (259,626)

See accompanying notes to the basic financial statements

VILLAGE OF ST. BERNARD, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 10,122,128	\$ 10,122,128	\$ 11,103,826	\$ 981,698
Intergovernmental Revenues	281,316	281,316	580,591	299,275
Charges for Services	173,000	173,000	234,183	61,183
Licenses and Permits	76,000	76,000	50,311	(25,689)
Investment Earnings	12,000	12,000	29,874	17,874
Fines and Forfeitures	45,400	45,400	41,519	(3,881)
All Other Revenues	268,500	268,500	509,946	241,446
Total Revenues	<u>10,978,344</u>	<u>10,978,344</u>	<u>12,550,250</u>	<u>1,571,906</u>
Expenditures:				
Current:				
Security of Persons and Property	4,765,061	4,833,002	4,632,195	200,807
Public Health and Welfare Services	57,114	55,614	53,461	2,153
Leisure Time Activities	129,707	129,768	99,326	30,442
Transportation	82,700	82,700	78,571	4,129
General Government	3,948,475	4,706,787	4,279,807	426,980
Other Expenditures	1,512,669	1,983,661	1,411,520	572,141
Total Expenditures	<u>10,495,726</u>	<u>11,791,532</u>	<u>10,554,880</u>	<u>1,236,652</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	482,618	(813,188)	1,995,370	2,808,558
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	64,000	64,000
Transfers In	0	0	1,500,000	1,500,000
Transfers Out	0	(3,080,276)	(3,080,276)	0
Total Other Financing Sources (Uses):	<u>0</u>	<u>(3,080,276)</u>	<u>(1,516,276)</u>	<u>1,564,000</u>
Net Change in Fund Balance	482,618	(3,893,464)	479,094	4,372,558
Fund Balance at Beginning of Year	1,646,029	1,646,029	1,646,029	0
Prior Year Encumbrances	306,014	306,014	306,014	0
Fund Balance at End of Year	<u>\$ 2,434,661</u>	<u>\$ (1,941,421)</u>	<u>\$ 2,431,137</u>	<u>\$ 4,372,558</u>

See accompanying notes to the basic financial statements

VILLAGE OF ST. BERNARD, OHIO

Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2014

	<u>Agency Funds</u>
Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 15,971
Total Assets	<u>15,971</u>
Liabilities:	
Due to Others	15,971
Total Liabilities	<u>\$ 15,971</u>

See accompanying notes to the basic financial statements

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The accompanying basic financial statements of the Village present the financial position of the various fund types, and the results of operations of the various fund types. The financial statements are presented as of December 31, 2014 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 61 *"The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34,"* in that the financial statements include all organizations, activities, functions and component units for which the Village (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the Village's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the Village.

The Community Improvement Corporation of St. Bernard (CIC), a non-profit organization, is an eleven-member board comprised of one Village official, three elected officials, five community representatives and two non-resident business advisors. Although it is legally separate from the Village, the CIC is reported as if it were part of the primary government because the Village can impose its will on the CIC. The CIC is responsible for research and development of the Village, including the assurance that mortgage payments will be made to foster such development, the acquisition, construction, equipment and improvement of buildings, structures and other properties, the acquisition of sites for such development, the lease, sale and subdivision of such sites and incurring of debt in order to carry out such development, and to make loans to any individual or business entity in order to carry out such development purpose for the Village. Funding to finance the CIC comes from the sale of properties owned by the CIC and contributions from the Village and private sources.

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

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

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

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

Governmental Funds

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

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

Community Improvement Corporation Fund – This fund is used to account for the financial activities of the CIC of Saint Bernard.

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

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on Net Position and changes in Net Position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Fiduciary funds are used to account for assets the Village holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The Village's fiduciary funds are a Private-Purpose Trust Fund and agency funds. The Village's Private Purpose Trust Fund accounts for monies held in trust for retired employees of the Village. The Village's agency funds account for monies held for hall rentals, building permit fees, and the Mayor's Court. The agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

C. Basis of Presentation – Financial Statements

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

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

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

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

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

D. Basis of Accounting

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

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

The accrual basis of accounting is utilized for reporting purposes by the governmental activities and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

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

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

Property taxes measurable as of December 31, 2014, but not received within the available period are recorded as deferred inflows of resources as these resources are not intended to pay liabilities of the current period. Delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources.

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

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. Since the Community Improvement Corporation is a legally separate entity it is not part of the Village's budget, therefore no budgetary statement is presented. The legal level of budgetary control for each fund is at the object level within each department. Budgetary modifications may only be made by ordinance of the Village Council.

1. Tax Budget

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

VILLAGE OF ST. BERNARD, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2014***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. By October 1 of each year, the Village accepts by resolution the tax rates as determined by the Budget Commission. As part of the certification process, the Village receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2014.

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VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

VILLAGE OF ST. BERNARD, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2014***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

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

Net Change in Fund Balance	General Fund
GAAP Basis (as reported)	\$572,525
Increase (Decrease):	
Accrued Revenues at December 31, 2014 received during 2015	(914,125)
Accrued Revenues at December 31, 2013 received during 2014	978,704
Accrued Expenditures at December 31, 2014 paid during 2015	461,191
Accrued Expenditures at December 31, 2013 paid during 2014	(551,270)
2013 Prepays for 2014	37,629
2014 Prepays for 2015	(57,086)
Outstanding Encumbrances	(48,474)
Budget Basis	<u>\$479,094</u>

F. Cash and Cash Equivalents

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

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

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution, the Ohio Revised Code and the Village Charter. The Village allocates interest among the various funds based upon applicable legal and administrative requirements. Interest revenue credited to the Village's funds was \$29,307 during calendar year 2014. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the Village records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. Certificates of deposit with a maturity of greater than three months from the time of purchase are classified as investments on the balance sheet. See Note 4, "Cash, Cash Equivalents and Investments".

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

I. Inventory

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

J. Capital Assets and Depreciation

Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000.

1. Property, Plant and Equipment - Governmental Activities

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

VILLAGE OF ST. BERNARD, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2014***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

2. Depreciation

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

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

K. Long-Term Obligations

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

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

L. Compensated Absences

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

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

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

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

M. Net Position

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

The Village applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

N. Pensions

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

O. Intergovernmental Revenues

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

P. Interfund Activity

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

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Interfund Assets/Liabilities

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

R. Estimates

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

S. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Village is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Village to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Village's highest level of decision making authority. For the Village, these constraints consist of ordinances and resolutions passed by Village Council. Committed amounts cannot be used for any other purpose unless the Village removes or changes the specified use by taking the same type of action (ordinance, resolution) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Fund Balances (Continued)

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

T. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, income taxes and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 2 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, assigned, and unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Community Improvement Corporation Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Supplies Inventory	\$42,621	\$0	\$0	\$0	\$42,621
Prepaid Items	57,086	0	0	500	57,586
Total Nonspendable	<u>99,707</u>	<u>0</u>	<u>0</u>	<u>500</u>	<u>100,207</u>
Restricted:					
Community Environment	0	0	0	312,304	312,304
Security of Persons	0	0	0	243,079	243,079
Court Improvements	0	0	0	3,575	3,575
Street Improvements	0	0	0	250,162	250,162
Debt Service	0	0	0	380,894	380,894
Capital Improvements	0	0	4,085,497	598,805	4,684,302
Total Restricted	<u>0</u>	<u>0</u>	<u>4,085,497</u>	<u>1,788,819</u>	<u>5,874,316</u>
Committed:					
Swimming Pool Operations	0	0	0	80,512	80,512
Capital Improvements	0	0	0	3	3
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>	<u>80,515</u>	<u>80,515</u>
Assigned:					
Other Purposes	37,299	0	0	0	37,299
Unassigned (Deficits):	<u>2,899,461</u>	<u>(305,544)</u>	<u>0</u>	<u>0</u>	<u>2,593,917</u>
Total Fund Balances	<u>\$3,036,467</u>	<u>(\$305,544)</u>	<u>\$4,085,497</u>	<u>\$1,869,834</u>	<u>\$8,686,254</u>

VILLAGE OF ST. BERNARD, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2014***

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and Net Position of governmental funds as reported in the government-wide statement of Net Position. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Other long-term assets not available to pay for current-period expenditures:

Deferred Tax Revenue	\$330,723
Deferred Investment Earnings	1,704
Intergovernmental Revenue Receivable	<u>119,531</u>
	<u><u>\$451,958</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in Net Position of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Governmental revenues not reported in the funds:

Decrease in Deferred Tax Revenue	(\$121,563)
Decrease in Deferred Investment Earnings	(94)
Decrease in Intergovernmental Revenue	<u>(175,904)</u>
	<u><u>(\$297,561)</u></u>

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the Village into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the Village. Such funds must be maintained either as cash in the Village Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

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

VILLAGE OF ST. BERNARD, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2014**

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of Village cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Village places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the Village's deposits was \$7,148,080 and the bank balance was \$7,725,265. Federal depository insurance covered \$735,000 of the bank balance and \$6,990,265 was uninsured. Of the remaining uninsured bank balance, the Village was exposed to custodial risk as follows:

	Balance
Uninsured and collateralized with securities held by the pledging institution's Trust Department not in the Village's name.	\$6,990,265
Total Balance	\$6,990,265

B. Investments

The Village's investments at December 31, 2014 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)	
			1-3	3-5
FHLMC	\$495,220	AAA ¹ / Aaa ²	\$495,220	\$0
FNMA	500,385	AAA ¹ / Aaa ²	500,385	0
Total Investments	\$995,605		\$995,605	\$0

¹ Standard & Poor's

² Moody's Investor Service

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date, the Village has no policy beyond what Ohio Revised Code requires.

Concentration of Credit Risk – The Village places no limit on the amount the Village may invest in one issuer. Of the Village's total investments 49.7% are FHLMC and 50.3% are FNMA.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Village has no policy beyond what Ohio Revised Code requires for custodial credit risk.

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property and located in the Village. Real property taxes (other than public utility) collected during 2014 were levied after October 1, 2013 on assessed values as of January 1, 2013, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last reappraisal was completed in 2013. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 5 – TAXES (Continued)

A. Property Taxes (Continued)

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

The full tax rate for all Village operations for the year ended December 31, 2014 was \$11.28 per \$1,000 of assessed value. The assessed value on which the 2014 levy was based was \$80,449,640. This amount constitutes \$76,299,350 in real property assessed value and \$4,150,290 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the Village's share is 1.128% (11.28 mills) of assessed value.

B. Income Tax

The Village levies a tax of 2.1% on all salaries, wages, commissions and other compensation and on net profits earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of up to 2.1% of the tax paid to another municipality.

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

NOTE 6 - RECEIVABLES

Receivables at December 31, 2014, consisted of taxes, interest and accounts receivable, and intergovernmental receivables arising from shared revenues. All receivables are considered collectible in full. Those receivables that relate to amounts not intended to finance the current fiscal year are offset by deferred inflows of resources.

VILLAGE OF ST. BERNARD, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2014***

NOTE 7 – TRANSFERS AND ADVANCES

Following is a summary of transfers in and out for all funds for 2014:

Fund	Transfers In	Transfers Out
General Fund	\$0	\$1,578,076
Other Governmental Funds	1,578,076	0
Totals	<u>\$1,578,076</u>	<u>\$1,578,076</u>

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets.

During the 2008 fiscal year the Master Plan Capital Improvement Fund advanced the Community Improvement Corporation \$475,000 to help subsidize the CIC's operations. The advance is to be repaid over future years.

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VILLAGE OF ST. BERNARD, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2014**

NOTE 8 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at December 31, 2014:

Historical Cost:

Class	December 31, 2013	Additions	Deletions	December 31, 2014
Capital assets not being depreciated:				
Land	\$8,465,495	\$117,881	\$0	\$8,583,376
Capital assets being depreciated:				
Land Improvements	4,823,804	712,053	0	5,535,857
Buildings and Improvements	8,319,629	7,194,890	0	15,514,519
Infrastructure	17,538,283	383,873	0	17,922,156
Machinery and Equipment	5,951,154	56,640	(8,296)	5,999,498
Total Cost	<u>\$45,098,365</u>	<u>\$8,465,337</u>	<u>(\$8,296)</u>	<u>\$53,555,406</u>

Accumulated Depreciation:

Class	December 31, 2013	Additions	Deletions	December 31, 2014
Land Improvements	(\$3,028,621)	(\$204,215)	\$0	(\$3,232,836)
Buildings and Improvements	(2,408,596)	(425,200)	0	(2,833,796)
Infrastructure	(8,379,992)	(490,551)	0	(8,870,543)
Machinery and Equipment	(4,448,661)	(343,704)	7,329	(4,785,036)
Total Depreciation	<u>(\$18,265,870)</u>	<u>(\$1,463,670) *</u>	<u>\$7,329</u>	<u>(\$19,722,211)</u>
Net Value:	<u>\$26,832,495</u>			<u>\$33,833,195</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$301,001
Leisure Time Activities	174,734
Transportation	912,402
General Government	75,533
Total Depreciation Expense	<u>\$1,463,670</u>

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

A. Ohio Public Employees Retirement System (“OPERS”)

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

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2014, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2014 employer contribution rate for local government employer units was 14.00% of covered payroll, which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the Village’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional and Combined Plans was 12.0% for calendar year 2014. The contribution requirements of plan members and the Village are established and may be amended by the OPERS Board. The Village’s contributions for pension obligations to OPERS for the years ending December 31, 2014, 2013, and 2012 were \$258,965, \$317,323 and \$234,956, respectively, which were equal to the required contributions for each year.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

All Village full-time police officers and full-time firefighters participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC.

The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164, by calling (614) 228-2975, or by visiting www.op-f.org.

From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5% of their annual covered salary. Throughout 2014, employers were required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the Village’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2014, 19.0% of annual covered salary for police and 23.5% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The Village's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2014, 2013, and 2012 were \$243,239, \$235,074 and \$152,780 for police officers and \$443,480, \$492,444 and \$339,780 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (“OPERS”)

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. OPERS’ eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 2.0% for calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2% for both plans, as recommended by the OPERS actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions for health care to the OPERS for the years ending December 31, 2014, 2013, and 2012 were \$43,161, \$24,409 and \$93,983, respectively, which were equal to the required contributions for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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

Plan Description – The Village contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F’s website at www.op-f.org.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions for health care to the OP&F for the years ending December 31, 2014, 2013, and 2012 were \$6,401, \$53,527 and \$80,833 for police and \$9,239, \$87,375 and \$142,806 for firefighters, respectively, which were equal to the required contributions for each year.

VILLAGE OF ST. BERNARD, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2014***

NOTE 11- COMPENSATED ABSENCES

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

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

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

As of December 31, 2014 the long-term portion of the compensated absences liability for the Village has increased \$111,696 from a balance of \$1,227,482 to \$1,339,178. This amount is considered long-term since no payments are anticipated requiring the use of current available financial resources.

NOTE 12 - CAPITAL LEASES

The Village leases a street sweeper for the Street Construction Fund. The cost of the equipment obtained under the lease agreements (\$181,345) is included in the Governmental Activities capital assets as machinery and equipment. The liability for this lease is recorded on the Statement of Net Position as due within one year and due in more than one year. The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2014:

Year Ending December 31,	Capital Leases
2015	\$28,321
2016	28,321
2017	28,321
2018	28,321
2019	28,321
2020	28,321
Minimum Lease Payments	<u>169,926</u>
Less amount representing interest at the City's incremental borrowing rate of interest	(16,456)
Present value of minimum lease payments	<u><u>\$153,470</u></u>

VILLAGE OF ST. BERNARD, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2014**

NOTE 13 - LONG-TERM OBLIGATIONS

Detail of the changes in the loans, bonds, pension liability and compensated absences of the Village for the year ended December 31, 2014, follows:

	Balance December 31, 2013	Issued	(Retired)	Balance December 31, 2014	Amount Due Within One Year
Governmental Activities:					
Ohio Public Works Commission Loan (OPWC):					
3.00% Andalus Avenue Improvements	\$21,728	\$0	(\$2,442)	\$19,286	\$2,515
Total OPWC Loan	21,728	0	(2,442)	19,286	2,515
General Obligation Bonds:					
3.00% Swimming Pool Refunding Bonds	1,215,000	0	(90,000)	1,125,000	95,000
4.50% Fire Truck	265,000	0	(60,000)	205,000	65,000
2.00% Service Center Project	3,445,000	0	(20,000)	3,425,000	40,000
2.00% Streetscape Project	3,495,000	0	(40,000)	3,455,000	50,000
2.00% Public Safety Center	8,770,000	0	(10,000)	8,760,000	15,000
2.00% Bank Street Settlement	2,475,000	0	(40,000)	2,435,000	50,000
Premium on Bonds	886,049	0	(33,281)	852,768	33,281
Total General Obligation Bonds	20,551,049	0	(293,281)	20,257,768	348,281
Accrued Pension Liability	708,203	0	(20,760)	687,443	21,652
Capital Leases	0	181,345	(27,875)	153,470	23,732
Compensated Absences	1,227,482	541,315	(429,619)	1,339,178	155,294
Total General Long-Term Debt and Other Long-Term Obligations	\$22,508,462	\$722,660	(\$773,977)	\$22,457,145	\$551,474

VILLAGE OF ST. BERNARD, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2014**

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

The Village's liability for past service costs relating to the Police and Firemen's Disability and Pension Fund at December 31, 2014 was \$1,089,176 in principal and interest payments through the year 2035. Only the principal amount due of \$687,443 is included in the Government-wide Statement of Net Position.

A. Principal and Interest Requirements

The Village's future long-term obligation funding requirements for the loan, bonds, promissory notes and accrued pension liability, including principal and interest payments as of December 31, 2014 follows:

Years	OPWC Loan		General Obligation Bonds		Police/Fire Accrued Pension Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$2,515	\$560	\$315,000	\$751,957	\$21,652	\$33,424
2016	2,591	484	675,000	742,294	22,582	32,352
2017	2,670	406	690,000	719,169	23,552	31,233
2018	5,584	567	645,000	690,344	24,564	30,067
2019	5,926	224	675,000	664,544	25,619	28,851
2020-2024	0	0	3,795,000	2,891,394	145,574	124,095
2025-2029	0	0	3,795,000	2,184,331	179,641	84,815
2030-2034	0	0	3,505,000	1,548,988	221,677	36,343
2035-2039	0	0	2,685,000	1,025,894	22,582	553
2040-2043	0	0	2,625,000	336,000	0	0
Totals	<u>\$19,286</u>	<u>\$2,241</u>	<u>\$19,405,000</u>	<u>\$11,554,915</u>	<u>\$687,443</u>	<u>\$401,733</u>

NOTE 14 - INSURANCE AND RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

Insurance for property holds a \$1,000 deductible, general liability does not have a deductible. The Village carries a \$2,500 deductible for both police and professional liability insurance.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

The Village pays unemployment claims to the State of Ohio as incurred.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The Village contracts with the Industrial Advisors Bureau to review all accidents claimed through Workers' Compensation.

VILLAGE OF ST. BERNARD, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2014**

NOTE 15 - EMPLOYEE MEDICAL BENEFITS

The Village has a group health self-insurance program for employees and their eligible dependents. Premiums are paid into the General Fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the General Fund are available to pay claims and administrative costs. The Village currently maintains a health care account with a December 31, 2014 balance of \$639,750. The plan is administered by a third party administrator, Healthsmart, which monitors all claim payments. Excess loss coverage, carried through Standard Security, becomes effective after \$50,000 per year per specific claim.

The claims liability of \$97,972 reported in the General Fund at December 31, 2014 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2014 and 2013 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2013	\$102,513	\$2,066,671	(\$1,957,043)	\$212,141
2014	212,141	1,168,713	(1,282,882)	97,972

NOTE 16 - CONTINGENCIES

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

NOTE 17 – FUND DEFICIT

The fund deficit at December 31, 2014 of \$305,544 in the Community Improvement Corporation Fund (special revenue fund) arises from the recognition of expenditures on the modified accrual that are greater than expenditures recognized on the budgetary basis. The deficit does not exist under the budgetary basis of accounting. Transfers are provided when cash is required, not when accruals occur.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of St. Bernard, Hamilton County, (the Village) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 6, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2014-001 to be a material weakness.

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, opining 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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

June 6, 2016

**VILLAGE OF ST. BERNARD
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014**

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

FINDING NUMBER 2014-001

Material Weakness

When designing the public office's system of internal controls and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village used American Appraisal to track the Capital Assets of the Village. Additions and Deletions were communicated periodically by the Village to American Appraisal to update the Village's Capital Assets amounts. American Appraisal submitted an annual appraisal report yearly to the Village for review. The total Capital Assets Not Being Depreciated and Capital Assets Being Depreciated, Net were reported in the Statement of Net Position. The Capital Asset amounts by asset category are reported in the notes to the financial statements.

We determined that the Village lacked management oversight in accounting and financial reporting for the audit period. Based on our review of the American Appraisal Report, the financial statements and the notes to the financial statements, we identified the following variances at December 31, 2014:

Historical Cost:

Asset category	American Appraisal Report	Notes to the	
		Financial Statements	variance
Land	\$6,370,923	\$8,583,376	(\$2,212,453)
Land Improvements	5,633,757	5,535,857	97,900
Buildings	17,407,771	15,514,519	1,893,252
Infrastructure	17,334,922	17,922,156	(587,234)
Machinery and Equipment	2,774,581	5,999,498	(3,224,917)
Licensed Vehicles	3,350,007	0	3,350,007
Total	52,871,961	53,555,406	(683,445)

Accumulated Depreciation:

Asset category	American Appraisal Report	Notes to the	
		Financial Statements	variance
Land Improvements	\$3,330,735	\$3,232,836	\$97,899
Buildings	4,200,890	2,833,796	1,367,094
Infrastructure	8,806,041	8,870,543	(64,502)
Machinery and Equipment	2,171,246	4,785,036	(2,613,790)
Licensed Vehicles	2,738,879	0	2,738,879
Total	21,247,791	19,722,211	1,525,580

These variances were carried over from the prior year. The Net Capital Assets variance between the American Appraisal report and the Statement of Net Position resulted in a \$2,209,025 overstatement of Capital Assets and Net Investments in Capital Assets on the Statement of Net Position.

We also noted that the Land Improvements and Buildings in current additions on the American Appraisal report were overstated by \$168,328, based on the supporting documentation obtained by the Village.

**FINDING NUMBER 2014-001
 (Continued)**

We also noted that the Village transferred ownership of the St. Bernard Square shopping center (appraised value of \$2.4 million) to the CIC of St. Bernard in December 2013; however the Village did not remove the \$2.4 million capital asset from their records and the CIC did not add the \$2.4 million capital asset to their records. Capital Assets and Net Investment in Capital Assets were accurately reported on the financial statements because the CIC is reported as a blended component unit of the Village; however, the underlying capital asset records of the Village were overstated by \$2.4 million and the underlying capital asset records of the CIC were understated by \$2.4 million at December 31, 2014.

Lack of internal controls over accounting and financial reporting increases the risk that errors, theft or fraud could occur and not be detected in a timely manner. We recommend that the Village exercise due care when posting entries to the financial records and financial statement preparation to prevent errors, accurately reflect the Village's financial activity and financial position, and disclose all activities of the financial statements as required.

The Village has posted audit adjustments to the financial statements and ledgers where appropriate, and has corrected the related notes to the financial statements.

Officials' Response:

The Village completed a Fixed Asset Inventory and Reconciliation report, a Property Insurance Report and revised the fixed asset master file in September of 2015. The reason the Village waited to do this is because the Fire, Police and Service Departments all moved into new buildings in 2015. The Village believed it was better to do a complete inventory after the departments moved. The Auditor Department has put in place new procedures in to ensure accurate fixed assets and inventory records. The Village Council has agreed to appropriate funds for complete inventories to be completed every six years.

FINDING NUMBER 2014-002

Noncompliance

Ohio Rev. Code, § 5705.39, provides in part that total appropriations from each fund shall not exceed the total estimated resources. Appropriations exceeded estimated resources as follows:

Fund	Appropriations	Estimated Resources	Variance
General	\$13,580,276	\$11,218,110	(\$2,362,166)

Failure to limit appropriations to estimated resources may result in overspending and negative fund balances.

We recommend that the Village limit appropriations to the amount of estimated resources.

Officials' Response:

The Auditor Department is putting new procedures in place to ensure budgetary appropriation do not exceed estimated resources. The Village did appropriate more than the estimated resources in 2014 but did not spend more than the revenue brought in.

**VILLAGE OF ST. BERNARD
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-01	Capital Assets Adjustment	No	Not Corrected, Reissued as 2014-001
2013-02	Budgetary 5705.39 Appropriations that exceed Estimated Resources	No	Not Corrected, Reissued as 2014-004

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VILLAGE OF ST BERNARD

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 23, 2016