

***VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Village Council
Village of Bethesda
P.O. Box 95
Bethesda, Ohio 43719

We have reviewed the *Report of Independent Accountants* of the Village of Bethesda, Belmont County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

BETTY MONTGOMERY
Auditor of State

September 22, 2006

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**VILLAGE OF BETHESDA
BELMONT COUNTY
For the Years Ending December 31, 2005 and 2004**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

To the Village Council
Village of Bethesda
Belmont County
Bethesda, Ohio

We have audited the accompanying financial statements of the Village of Bethesda, Belmont County, Ohio as and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Bethesda, Belmont County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

June 30, 2006

VILLAGE OF BETHESDA
 BELMONT COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types			Total
	General	Special Revenue	Capital Projects	(Memorandum Only)
Receipts:				
Property Taxes and Other Local Taxes	\$ 21,301	\$ 66,583	-	\$ 87,884
Charges for Services	2,530	147,309	-	149,839
Intergovernmental	62,991	161,672	-	224,663
Fines, Licenses and Permits	11,772	-	-	11,772
Interest	9,580	167	-	9,747
Other	7,711	4,279	-	11,990
Total Receipts	115,885	380,010	-	495,895
Disbursements:				
General Government	37,125	-	-	37,125
Security of Persons & Property	53,438	227,354	-	280,792
Public Health Services	4,210	-	-	4,210
Transportation	-	67,668	-	67,668
Leisure time Activities	6,350	7,936	-	14,286
Capital Outlay	-	34,619	\$ 2,544	37,163
Debt Service:				
Principal	3,376	31,905	-	35,281
Interest	2,300	3,987	-	6,287
Total Disbursements	106,799	373,469	2,544	482,812
Receipts over(under) disbursements	9,086	6,541	(2,544)	13,083
Other Financing Sources (Uses)				
Transfers in	-	16,641	-	16,641
Transfers out	(13,426)	(17,112)	-	(30,538)
Advances out	(2,500)	-	-	(2,500)
Advances in	-	2,500	-	2,500
Total Other Financing Sources (Uses)	(15,926)	2,029	-	(13,897)
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(6,840)	8,570	(2,544)	(814)
Fund Balance 1/1/2005	16,955	302,563	6,749	326,267
Fund Balance 12/31/2005	<u>\$ 10,115</u>	<u>\$ 311,133</u>	<u>\$ 4,205</u>	<u>\$ 325,453</u>
Reserve for Encumbrances, December 31, 2005	<u>\$ 456</u>	<u>\$ 81,523</u>	<u>\$ -</u>	<u>\$ 81,979</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF BETHESDA
 BELMONT COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
 BALANCES - ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 313,429
 Total Operating Cash Receipts	 313,429
Operating Cash Disbursements:	
Personal Services	109,147
Contractual Services	137,362
Supplies and Materials	43,795
Other	20,355
 Total Operating Cash Disbursements	 310,659
Operating Income (Loss)	2,770
Non-Operating Cash Receipts/(Disbursements)	
Special Assessments	135,000
Proceeds of Notes	12,964
Miscellaneous	8,709
Redemption of Principal	(137,651)
Interest and Other Fiscal Charges	(38,074)
 Total Non-Operating Cash Receipts/(Disbursements)	 (19,052)
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers	(16,282)
Transfers in	13,897
Net Receipts (Under) Disbursements	(2,385)
Fund Cash Balances, January 1, 2005	121,022
Fund Cash Balances, December 31, 2005	\$ 118,637
Reserve for Encumbrances, December 31, 2005	\$ 843

See accompanying Notes to the Financial Statements.

VILLAGE OF BETHESDA
 BELMONT COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Fund Types			Total
	General	Special Revenue	Capital Projects	(Memorandum Only)
Receipts:				
Property Taxes and Other Local Taxes	\$ 20,738	\$ 77,602	-	\$ 98,340
Charges for Services	2,689	128,541	-	131,230
Intergovernmental	84,292	193,404	-	277,696
Fines, Licenses and Permits	6,765	-	-	6,765
Interest	6,220	155	-	6,375
Other	7,023	1,492	\$ 9	8,524
Total Receipts	127,727	401,194	9	528,930
Disbursements:				
General Government	32,900	-	-	32,900
Security of Persons & Property	53,142	235,198	-	288,340
Public Health Services	4,179	-	-	4,179
Transportation	-	78,160	-	78,160
Leisure time Activities	4,964	-	-	4,964
Capital Outlay	-	20,577	72,543	93,120
Debt Service:				
Principal	3,255	25,798	-	29,053
Interest	2,421	4,342	-	6,763
Total Disbursements	100,861	364,075	72,543	537,479
Receipts over(under) disbursements	26,866	37,119	(72,534)	(8,549)
Other Financing Sources (Uses)				
Proceeds of Notes	-	27,000	-	27,000
Sale of Fixed Assets	5,931	4,800	-	10,731
Transfers in	-	26,677	-	26,677
Transfers out	(27,979)	-	-	(27,979)
Total Other Financing Sources (Uses)	(22,048)	58,477	-	36,429
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	4,818	95,596	(72,534)	27,880
Fund Balance 1/1/2004	12,137	206,967	79,283	298,387
Fund Balance 12/31/2004	<u>\$ 16,955</u>	<u>\$ 302,563</u>	<u>\$ 6,749</u>	<u>\$ 326,267</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF BETHESDA
 BELMONT COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
 IN FUND BALANCES - ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 313,164
Total Operating Cash Receipts	313,164
Operating Cash Disbursements:	
Personal Services	109,535
Contractual Services	152,022
Supplies and Materials	65,242
Other	33,701
Capital Outlay	90,081
Total Operating Cash Disbursements	450,581
Operating Income (Loss)	(137,417)
Non-Operating Cash Receipts/(Disbursements)	
Special Assessments	167,310
Intergovernmental Receipts	35,532
Miscellaneous	30,087
Redemption of Principal	(119,210)
Interest and Other Fiscal Charges	(43,294)
Total Non-Operating Cash Receipts/(Disbursements)	70,425
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers	(66,992)
Transfers in	1,302
Net Receipts (Under) Disbursements	(65,690)
Fund Cash Balances, January 1, 2004	186,712
Fund Cash Balances, December 31, 2004	\$ 121,022

See accompanying Notes to the Financial Statements.

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Bethesda, (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides general government services, including water and sewer, park operations (leisure time activities), and police and fire services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

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

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

C. CASH AND INVESTMENTS

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts and disbursements, respectively.

Money market mutual funds (including STAROhio) are recorded at share values reported by the mutual fund.

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING

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

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue funds:

- Street Construction Maintenance & Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.
- Fire Levy Fund – This fund receives property tax revenues and proceeds of fire contracts to provide fire protection to Village residents and other political subdivisions.
- Emergency Medical Services (EMS) Run Fund – This fund receives charges for services from residents and insurance companies to cover the cost of providing emergency medical services.

Capital Projects Funds: This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant Capital Projects fund:

- Capital Projects Fund – This fund receives grant funding from state and federal agencies and proceeds of various debt issues for various Village capital projects.

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

Proprietary Fund Types:

Enterprise Funds: These funds account for operations that are similar to private business enterprises where management intends that the significant costs or providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise funds:

- Water Operating Fund – this fund receives charges for services from residents to cover the cost of providing this utility.
- Sewer Operating Fund – this fund receives charges for services from residents to cover the cost of providing this utility.
- Sewer Debt Fund – this fund receives charges for services from residents which are used to pay scheduled payments on a loan from the Ohio Water Development authority used to finance a sewage treatment plant.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk-Treasurer, approved by the Village Council, and 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.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E BUDGETARY PROCESS – (Continued)

1. Estimated Resources – (Continued)

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if Clerk-Treasurer identifies increases or decreases in revenue. The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2004 and 2005.

Budget receipts, as shown in Note 5, do not include the unencumbered fund balances as of January 1, 2004 and 2005. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the fund level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 5.

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. CASH AND INVESTMENTS

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$ 438,510	\$ 441,877
STAROhio	<u>5,580</u>	<u>5,412</u>
Total deposits and investments	<u>\$ 444,090</u>	<u>\$ 447,289</u>

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

Investments: Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

3. PROPERTY TAX – (Continued)

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

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

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The Belmont County Treasurer collects property tax on behalf of all taxing Villages within the county. The Belmont County Auditor periodically remits to the taxing Village their portions of the taxes collected.

4. DEFINED BENEFIT PENSION PLANS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). The Village's other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. For 2005 and 2004, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross wages. The Village has paid all contributions required through December 31, 2005.

5. BUDGETARY ACTIVITY

Fund Type	<u>2005 Budgeted vs. Actual Receipts</u>		Variance
	Budgeted Receipts	Actual Receipts	
General	\$ 116,559	\$ 115,885	\$ (674)
Special Revenue	298,528	399,151	100,623
Enterprise	493,502	483,999	(9,503)

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

5. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 133,498	\$ 123,181	\$ 10,317
Special Revenue	597,500	472,104	125,396
Capital Projects	6,749	2,544	4,205
Enterprise	581,868	487,227	94,641

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 132,013	\$ 133,658	\$ 1,645
Special Revenue	333,540	459,671	126,131
Capital Projects	-0-	9	9
Enterprise	526,563	547,395	20,832

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 144,150	\$ 128,840	\$ 15,310
Special Revenue	519,458	364,075	155,383
Capital Projects	79,283	72,543	6,740
Enterprise	683,819	613,085	70,734

6. DEBT

Debt outstanding at December 31, 2005 was as follow:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 612,311	5.00%
General Obligation bonds – Fire Truck	41,000	5.00%
Municipal Building – Promissory Note	57,357	3.76%
Ohio Department of Commerce Note	20,250	0%
Barnesville Waterline Project – Promissory Note	85,561	3.76%
Total	<u>\$ 816,479</u>	

The Ohio Water Development Authority (OWDA) loans relate to utility system improvements. The loan will be repaid in semiannual installments of \$64,356, including interest, over 20 years. These loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates at a sufficient level to cover OWDA debt service requirements.

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

6. DEBT (Continued)

The General Obligation Bonds were issued for the purchase of a fire truck and are collateralized by the Village's taxing authority. These bonds are being repaid from proceeds of a Fire Truck Bond Levy.

The Municipal Building Promissory Note was obtained through a local bank to provide additional funding for the construction of a new municipal building. The loan is collateralized by the Municipal Building. The loan will be repaid from General Fund revenues.

The Ohio Department of Commerce Note relates to the addition of new garage doors to the fire station. The loan is interest free and is being repaid over 5 years at \$1,350 per quarter. The loan is being repaid from Fire Levy Fund revenues.

The Barnesville Waterline Project Promissory Note was obtained through a local bank to provide funding for the Village's portion of the cost of the project. The remainder of the cost of the project was funded by a grant from the Ohio Public Works Commission. The loan is collateralized by the Village's depository accounts with the local bank. The loan will be repaid from proceeds of a water surcharge added to the monthly bill for all water customers of the Village.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	<u>OWDA Loans</u>	<u>Fire Truck</u>	<u>Municipal Building</u>	<u>Barnesville Waterline</u>	<u>Ohio Dep. of Commerce</u>
2006	\$128,712	\$ 22,050	\$ 5,676	\$ 33,793	\$ 5,400
2007	128,712	22,050	5,676	33,793	5,400
2008	128,712	-0-	5,676	22,529	5,400
2009	128,712	-0-	5,676	-0-	4,050
2010	128,712	-0-	5,676	-0-	-0-
2011-2015	64,356	-0-	28,380	-0-	-0-
2016-2018	<u>-0-</u>	<u>-0-</u>	<u>17,028</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 707,916</u>	<u>\$ 44,100</u>	<u>\$ 73,788</u>	<u>\$ 90,115</u>	<u>\$ 20,250</u>

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

7. LEASES

The Village leases a vehicle under a noncancelable lease. Ownership of the vehicle will transfer to the Village upon final payment of the lease. The Village disbursed \$4,354 and \$7,464 to pay lease costs for the years ended December 31, 2004 and 2005, respectively. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 7,464
2007	7,464
2008	<u>3,110</u>
Sub-total	\$ 18,038
Interest	<u>(1,002)</u>
Total	<u>\$ 17,036</u>

8. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, from General Reinsurance Corporation.

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

Property Coverage

On January 1, 2005, APEEP began administering a risk-sharing property program. Under the new program, St. Paul Travelers will reinsure specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. APEEP will reinsure members for specific losses in excess of \$100,000 up to \$250,000 per occurrence, subject to annual aggregate loss payment. St. Paul Travelers provides aggregate stop-loss coverage based upon the combined Members’ Total Insurable Value (TIV). If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, St. Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit.

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

8. RISK MANAGEMENT – (Continued)

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

Financial Position

PEP's financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 (latest information available).

Casualty Coverage	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Net Assets	<u>\$13,725,507</u>	<u>\$13,557,131</u>

Property Coverage	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Net Assets	<u>\$3,375,087</u>	<u>\$3,108,199</u>

9. JOINTLY GOVERNED ORGANIZATION

Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all governments in a four county region comprised of Belmont county, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by each local government within Belmont County. The Mayor of the Village of Bethesda serves as the Village's representative on the Board and a Councilman serves as the Village's alternate. The Council is not dependent upon the Village of Bethesda for its continued existence, no debt exists, and the Village does not maintain an equity interest. The Village paid Bel-O-Mar Regional council \$396 for both 2005 and 2004.

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

10. TRANSFERS

The Village transferred money from the General Fund to the following funds during fiscal year 2004: Large Purchases, Police Levy, Fire Levy, EMS Run, Water Operating, Sewer Operating and Sewer Replacement.

The Village transferred money from the General Fund to the following funds during fiscal year 2005: Street Maintenance & Repair, State Highway, Police Levy, Fire Levy, EMS Run, Water Operating, Sewer Operating and Sewer Replacement. The Village also transferred money from the FEMA Fund to the following funds: Street Maintenance & Repair, Fire Levy, Water Operating and Sewer Replacement to complete emergency repairs.

The Village has complied with all applicable Ohio Revised Code and grant requirements.

11. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

12. BUDGETARY NONCOMPLIANCE

The Village had the following citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41**, the Village did not obtain prior certification for expenditures.
- Contrary to **Ohio Rev. Code Section 5705.41(B)**, the Village had expenditures which exceeded appropriations.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

To the Village Council
Village of Bethesda
Belmont County
Bethesda, Ohio

We have audited the financial statements of the Village of Bethesda, Belmont County, Ohio (Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 30, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 30, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed several instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-VBBC-001 and 2005-VBBC-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 30, 2006.

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

Charles E. Harris and Associates, Inc.

June 30, 2006

VILLAGE OF BETHESDA
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-VBBC-001

Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) provides, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village applied for and received grants from the Ohio Public Works Commission (OPWC) for a waterline extension. The project, which began in 2003, was partially funded by OPWC. The OPWC financial activity during 2004 was not recorded on the Village's books, contrary to **Ohio Revised Code Section 733.28**. As a result, expenditures of \$32,646 during 2004 were made on the Village's behalf but were not appropriated.

Grant proceeds received by the Village during 2004 and related expenditures made on the Village's behalf by OPWC were not recorded on the Village's books. As a result, the financial activity of the Village was understated for 2004.

The Village understated receipts, during 2004, by \$32,646 and also understated disbursements by \$32,646. The accompanying financial statements have been adjusted to reflect correct amounts. The Village is in agreement with this adjustment.

We recommend the Village record all transactions made on behalf of the Village in each fund. The Village should refer to Auditor of State Bulletin 2000-08 for additional guidance in accounting for these projects.

The Clerk-Treasurer will review current and future projects to determine the amount of payments made on the Village's behalf and include this amount as a receipt and disbursement as well as obtaining an amended certificate of estimated resources and approving additional appropriations.

FINDING NUMBER 2005-VBBC-002

Noncompliance Citation

Ohio Revised Code Section 5705.41 (D)(1), requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

VILLAGE OF BETHESDA
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS – (Continued)

FINDING NUMBER 2005-VBBC-002
(Continued)

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

"Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the Village.

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

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

Forty-three percent of transactions we tested for 2005 and 2004 did not include prior certification of the availability of funds by the Clerk-Treasurer nor was there any evidence of a "Then and Now" certificate being used. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

**VILLAGE OF BETHESDA
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS – (Continued)</p>
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**FINDING NUMBER 2005-VBBC-002
(Continued)**

We recommend the Village's management implement procedures to gain fiscal control over expenditures. Purchase orders containing the required certification should be utilized to certify the availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

The Clerk-Treasurer will review budgetary requirements, including purchasing.

VILLAGE OF BETHESDA
 BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2005 AND 2004

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-001	Contrary to Ohio Rev. code Section 733.28, the Village failed to record payments made on its behalf by others.	NO	Repeated as finding # 2005-VBBC-001.
2003-002	Contrary to Ohio Rev. Code Section 5705.41(B), the Village had expenditures which exceeded appropriations.	NO	Repeated as finding # 2005-VBBC-001.
2003-003	Contrary to Ohio Rev. Code Section 5705.41(D)(1), the Village did not properly certify all expenditures.	NO	Repeated as finding # 2005-VBBC-002.



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VILLAGE OF BETHESDA

BELMONT 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
OCTOBER 5, 2006**