



Mary Taylor, CPA
Auditor of State

VILLAGE OF BETHEL
CLERMONT COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Bethel
Clermont County
120 North Main Street
Bethel, Ohio 45106

To Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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December 22, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Bethel
Clermont County
120 North Main Street
Bethel, Ohio 45106

To Council:

We have audited the accompanying financial statements of the Village of Bethel, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The accompanying financial statements present receipts and disbursements by fund and fund type totals. Ohio Administrative Code 117-2-02(A) requires governments to classify receipt and disbursement transactions.

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

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

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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position or cash flows, where applicable funds for the years then ended.

Also, in our opinion, except for the effect of the matters discussed in paragraph three above, regarding the omission of receipt and disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Bethel, Clermont County, as of December 31, 2007 and 2006, and its individual fund and combined fund type unclassified cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 12 to the financial statements, the Village has suffered recurring losses from operating and has a negative General Fund balance \$279,786 at December 31, 2007. Note 12 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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 December 22, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

December 22, 2009

**VILLAGE OF BETHEL
CLERMONT COUNTY, OHIO**

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

	<u>Balance 01/01/07</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/07</u>
General	\$ (110,253)	\$ 475,748	\$ 645,281	\$ (279,786)
Special Revenue:				
Street Construction, Maintenance and Repair	26,724	95,301	82,145	39,880
State Highway Improvement	6,479	7,894	7,401	6,972
Street and Bridge	23,641	65,893	67,305	22,229
Burke Park	10,210	28,594	1,794	37,010
Enforcement and Education	2,067	433	-	2,500
Drug Law Enforcement	3,648	75	-	3,723
Law Enforcement Trust	254	-	-	254
Permissive Tax	19,931	16,748	16,316	20,363
Court Computerization	10,191	3,607	1,599	12,199
Police Communication	15,930	13,742	24,915	4,757
Grant Memorial	7,232	1,363	1,755	6,840
Police Levy	13,452	27,196	37,171	3,477
Police Pension	(2,614)	9,880	40,827	(33,561)
Burke Donation	5,100	-	2,000	3,100
Marriage Gratuity	200	500	500	200
Total Special Revenue	<u>142,445</u>	<u>271,226</u>	<u>283,728</u>	<u>129,943</u>
Debt Service:				
Sidewalk Debt Assessment	(14,819)	26,643	31,414	(19,590)
Capital Projects:				
Police Cruiser	9,451	2,098	2,706	8,843
Permanent:				
Scholarship	14,012	20,000	13,784	20,228
Burke Trust	1,221,919	108,151	62,064	1,268,006
Total Permanent	<u>1,235,931</u>	<u>128,151</u>	<u>75,848</u>	<u>1,288,234</u>
Enterprise:				
Electric	713,415	2,809,970	3,009,890	513,495
Water	(22,329)	621,334	717,061	(118,056)
Garbage	5,083	96,975	104,727	(2,669)
Utility Deposits	46,970	25,469	24,572	47,867
Electric Ext and Replacement	40,370	-	40,370	-
Water Ext and Replacement	19,470	-	19,470	-
First Water Mortgage	-	70,173	69,554	619
Total Enterprise	<u>802,979</u>	<u>3,623,921</u>	<u>3,985,644</u>	<u>441,256</u>
Agency				
Mayor's Court	-	45,305	44,955	350
Payroll Holding	-	692,830	692,830	-
Unclaimed Monies	2,939	222	-	3,161
Total Agency	<u>2,939</u>	<u>738,357</u>	<u>737,785</u>	<u>3,511</u>
Total All Funds:	<u>\$ 2,068,673</u>	<u>\$ 5,266,144</u>	<u>\$ 5,762,406</u>	<u>\$ 1,572,411</u>

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

**VILLAGE OF BETHEL
CLERMONT COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance 01/01/06	Receipts	Disbursements	Balance 12/31/06
General	\$ 154,064	\$ 538,888	\$ 803,205	\$ (110,253)
Special Revenue:				
Street Construction, Maintenance and Repair	29,390	97,703	100,369	26,724
State Highway Improvement	3,357	7,159	4,037	6,479
Street and Bridge	57,956	53,118	87,433	23,641
Burke Park	15,956	2,759	8,505	10,210
Federal Emergency Management Agency	19,687	-	19,687	-
Enforcement and Education	2,697	670	1,300	2,067
Drug Law Enforcement	3,680	125	157	3,648
Law Enforcement Trust	716	-	462	254
Permissive Tax	20,494	16,496	17,059	19,931
Court Computerization	9,568	3,925	3,302	10,191
Police Communication	10,779	14,062	8,911	15,930
Grant Memorial	7,839	250	857	7,232
Police Levy	22,090	27,438	36,076	13,452
Police Pension	1,392	9,891	13,897	(2,614)
Burke Donation	5,100	2,000	2,000	5,100
Marriage Gratuity	-	200	-	200
Total Special Revenue	210,701	235,796	304,052	142,445
Debt Service:				
Sidewalk Debt Assessment	(9,085)	26,741	32,475	(14,819)
Pavilion Debt	1,688	-	1,688	-
Total Debt Service	(7,397)	26,741	34,163	(14,819)
Capital Projects:				
Water Tower	60,729	-	60,729	-
Police Cruiser	51,936	600	43,085	9,451
Total Capital Projects	112,665	600	103,814	9,451
Permanent:				
Scholarship	19,475	20,000	25,463	14,012
Burke Trust	1,176,705	96,657	51,443	1,221,919
Total Permanent	1,196,180	116,657	76,906	1,235,931
Enterprise:				
Electric	1,090,827	2,538,201	2,915,613	713,415
Water	153,070	660,385	835,784	(22,329)
Garbage	12,722	89,155	96,794	5,083
Parking Meter	9,765	-	9,765	-
Utility Deposits	46,592	22,623	22,245	46,970
Electric Ext and Replacement	60,967	-	20,597	40,370
Water Ext and Replacement	22,522	-	3,052	19,470
First Water Mortgage	(8,522)	114,521	105,999	-
Total Enterprise	1,387,943	3,424,885	4,009,849	802,979
Agency				
Mayor's Court	-	45,161	45,161	-
Payroll Holding	(2,170)	443,088	440,918	-
Unclaimed Monies	2,939	-	-	2,939
Total Agency	769	488,249	486,079	2,939
Total All Funds:	\$ 3,054,925	\$ 4,831,816	\$ 5,818,068	\$ 2,068,673

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

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Bethel, Clermont County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, electric and garbage utilities, park operations, and police services. The Village contracts with Tate Township to provide fire protection services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 Village did not classify its receipts and disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-2-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values fixed income equity securities, common stock, mutual funds, and certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (continued)

2. Special Revenue Funds

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

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

Street and Bridge Fund – This fund receives property tax money for the purpose of general construction, reconstruction, resurfacing and repair of streets, roads and bridges.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Sidewalk Debt Fund – This fund receives special assessment money to fund the principal and interest payments of the Sidewalk Special Assessment Bonds. The bonds were paid off during 2007.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Police Cruiser Fund – This fund receives transfers from the General Fund for the purchases of police cruisers.

5. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

Burke Trust Fund – A permanent fund composed of the corpus and investment earnings of the Edmund G. Burke Community Trust; see Note 10 for additional information on the Edmund G. Burke Community Trust. A portion of the earnings of the Burke Trust fund were transferred to the Burke Donation funds during 2006. The money used to provide scholarships for worthy and/or needy students was expensed in the permanent fund.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (continued)

6. Enterprise Funds

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

Electric Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

7. Fiduciary Funds

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for mayor's court, unclaimed monies fund, and payroll holding account.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (continued)

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2007	2006
Demand deposits	\$56,358	\$329,596
Certificates of deposit	228,976	400,976
Total deposits	285,334	730,572
STAR Ohio	6,727	89,556
Mutual Funds	50,409	0
Fixed Income Equity Securities	621,803	622,277
Money Market Mutual Funds	132,389	100,490
Common stock	475,749	525,778
Total investments	1,287,077	1,338,101
Total deposits and investments	\$1,572,411	\$2,068,673

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and money market mutual funds are not evidenced by securities that exist in physical or book-entry form. Common Stocks, Mutual Funds, Fixed Income Equity Securities, and \$120,045 and \$73,863 in 2007 and 2006, respectively, of the Money Market Mutual Funds are held by the Bank (Trustee) in the name of Edmund G. Burke Community Trust. The fair value of the Edmund G. Burke Community Trust at December 31, 2007 and 2006 was \$1,492,179 and \$1,393,870, respectively.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007, and 2006, follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$565,235	\$475,748	(\$89,487)
Special Revenue	201,918	271,226	69,308
Debt Service	37,500	26,643	(10,857)
Capital Projects	14,400	2,098	(12,302)
Enterprise	3,630,400	3,623,921	(6,479)
Total	\$4,449,453	\$4,399,636	(\$49,817)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$733,974	\$645,281	\$88,693
Special Revenue	276,129	283,728	(7,599)
Debt Service	33,775	31,414	2,361
Capital Projects	73,085	2,706	70,379
Enterprise	2,169,219	3,985,644	(1,816,425)
Total	\$3,286,182	\$4,948,773	(\$1,662,591)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$538,888	\$538,888
Special Revenue	0	235,796	235,796
Debt Service	0	26,741	26,741
Capital Projects	0	600	600
Enterprise	0	3,424,885	3,424,885
Total	\$0	\$4,226,910	\$4,226,910

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$803,205	(\$803,205)
Special Revenue	0	304,052	(304,052)
Debt Service	0	34,163	(34,163)
Capital Projects	0	103,814	(103,814)
Enterprise	0	4,009,849	(4,009,849)
Total	\$0	\$5,255,083	(\$5,255,083)

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio law, the following budgetary conditions existed:

- appropriation exceeded total available resources (beginning unencumbered balance plus actual receipts) in several funds;
- expenditures exceeded appropriations;
- invoice dates preceded purchase order dates;
- the Village did not certify the balances to the County Auditor by on or about January 1;
- the Village did not obtain amended certificates;
- no appropriations were approved for 2006;
- final appropriations exceeded final certified resources;
- negative fund balances existed at year end;
- revenue to be used for a particular purpose cannot be used by another fund;
- transfers were made that were not allowable; and
- revenue derived from a general levy for current expenses was not paid into the General Fund.

4. Property Tax

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

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

Tangible property taxes are levied after October 1 of the prior year, on the value as of December 31, of the prior year. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

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

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Debt

Debt outstanding at December 31, 2007, was as follows:

	Principal	Interest Rate
Water 1st Mortgage Revenue Bonds	\$640,000	4.7%

The Water 1st Mortgage 1998 Bond funds the purchase and installation of new water lines. The debt is paid for through water collections.

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

	Water 1st Mortgage Revenue Bonds
Year ending December 31:	
2008	\$99,017
2009	105,683
2010	109,017
2011	113,600
2012	114,017
2013-2015	371,634
Total	\$912,968

6. Debt Service Trust Funds

The First Mortgage Waterworks System Revenue Refunding Bonds debt agreement required the Village to establish a Bond Account maintained by a custodian bank. Monthly, the Village is to pay an amount equal to one-sixth of the interest due on all outstanding Bonds on the next ensuing interest payment date and one-twelfth of the principal due on the next ensuing principal payment. Moneys in the Bond Account shall be used to pay principal and interest on bonds on their regularly scheduled maturity dates. The Village has established this account. At December 31, 2007, the custodian held \$104,262 in Village assets. The accompanying financial statements do not include these assets or the related receipts and disbursements.

7. Early Retirement Incentive Plan

On September 10, 2007, the Village adopted Ordinance 1569 which agreed to an Early Retirement Incentive Plan ("the Plan") through the Ohio Public Employees Retirement System (OPERS). The Plan was effective beginning October 15, 2007 through November 1, 2008. The Plan included purchasing service credit for each participating employee by the Village of Bethel in an amount equal to the lesser of three years of service credit or an amount of service credit equal to one-fifth of the total service credit of record credited to the participating employee. An employee was eligible to participate in the Plan if they were eligible to retire on or before the date of the termination of the Plan and they agree to retire within 90 days after receiving notice from OPERS that service credit has been purchased.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Early Retirement Incentive Plan (Continued)

One employee took the offered Plan during 2007. The employee had over twenty years of service, thus the Village was required to buy three years according to the Plan. If the Village had made one lump sum payment to OPERS for the employee the total cost would have been \$66,297, however, the Village decided to make 12 quarterly installments of \$6,146, which totals \$73,753 because installment payments include an eight percent interest rate. At December 31, 2007, no payment had been made for the employee and thus the liability of the Village to OPERS is \$73,753.

8. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2007 and 2006, OPERS members contributed 9 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.85%, respectively, of participants' gross salaries. The Village has employee and employer contributions due to OPERS in the amount of \$12,066 and \$17,591, respectively, at December 31, 2007. The Village has employer contributions due to OP&F in the amount of \$12,103 at December 31, 2007.

9. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim 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 the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

9. Risk Management (Continued)

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

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

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

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$47,243. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

9. Risk Management (Continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2005	\$45,070
2006	\$42,937
2007	\$41,081

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Self Insurance

The Village of Bethel offers its full-time employees a comprehensive medical insurance plan, with a health expense reimbursement arrangement. A major medical plan is provided, with reimbursements handled through a third party administrator during part of 2006 and handled by the Village through 2007, on a pay-as-you-go basis. The Village of Bethel is also self-insured for vision for both 2006 and 2007, and dental for part of 2006 and all of 2007. Covered claims are paid to service providers, or reimbursed to the employee, as the expenses are incurred.

10. The Edmund G. Burke Community Trust

By will dated February 2, 1965, Edmund Glenn Burke established a trust for the Village of Bethel, for the benefit of the People of the Village of Bethel, in the amount of \$500,000. The trust stipulated that Mr. Burke's sister would act as trustee for a period of twenty-one (21) years. Mr. Burke's sister administered the trust under the provisions set forth in Mr. Burke's Will, which provided for the distribution of accumulated interest to the Village of Bethel as requested by Bethel Council. Total distributions in any fiscal year shall be limited to earned income (less expenses of the trust). In addition, the trust contained a provision permitting invasion of the principal up to ten percent (10%). At that point, no further distributions could be made until the invaded principal had been repaid.

Upon the termination of this trust in 1986, the Council of the Village of Bethel created a new trust to be known as the Edmund Glenn Burke Community Trust to be administered by a financial institution as trustee. On November 21, 1986 \$546,845 in funds were transferred from Mr. Burke's sister as original trustee to the Society National Bank as trustee. These funds are recorded in the Permanent fund in the accompanying financial statements.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

10. The Edmund G. Burke Community Trust (Continued)

The provisions of the 1986 trust were the same as the 1965 trust described above with two exceptions – (1) requests for distribution of interest would have to be approved by a trust commission; and (2) the principal may be invaded up to \$10,000 without affecting distributions. The purposes of the distributions from the trust were as follows:

- (1) to provide for the general welfare of the people;
- (2) to provide for the care and maintenance of the historic OLD CEMETERY otherwise known as The Early Settlers Burial Ground in the Village of Bethel, together with the constructions, acquisition and maintenance of suitable improvements and additions;
- (3) to provide for the care of maintenance of BURKE PARK in the Village of Bethel, together with the construction, acquisition and maintenance of suitable improvements and additions;
- (4) to provide for any and all municipal and Village purposes in the Village of Bethel, whenever such purposes and projections are approved by the governing body of the Village and certified by the highest official of the Village of Bethel, such as but not limited to public parks, schools, nurseries, hospitals, churches or any other public use; and
- (5) to provide scholarships for worthy and/or needy students from the Village of Bethel, as well as from other parts of Clermont County. The selection of the recipients of said scholarships shall be in the absolute discretion of the Council of the Village of Bethel.

The Commission created by the Trust consists of nine (9) members, four (4) of whom are appointed by Village Council and five (5) appointed by the Village Mayor with a term of 5 years each. These members cannot be removed by Council or the Mayor. Replacement of a Commission member occurs when a member ceases to attend the monthly meetings for any reason. The replacement is appointed by either Council or the Mayor dependent upon who originally appointed the member. Neither the Mayor nor a member of the Village Council may serve on the Commission.

A request for funds is first submitted to Council for their approval, then to the Burke Trust Commission for review and approval or rejection. Council cannot override the decision of the Burke Trust Commission.

11. Compliance

Mayor's Court operations were found to be contrary to the following Ohio Revised Code Sections: 9.38 - monies were not deposited timely; 733.40 - Mayor's court disbursements were not done by the first Monday of each month; and 2743.70 - monies collected for additional court cost were not transmitted on the first business day of each month to the Treasurer of State.

Utilities operations were not in compliance with Ordinances 1293 and 1554, regarding rates approved versus rates charged requiring Council's clarification of intent.

Payroll rates were not in compliance with minute records for 2006 and Ordinances 1559 in 2007 requiring Council's clarification of intent.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

11. Compliance (Continued)

The Village's Employee Handbook was not properly updated to reflect changes in health insurance coverage per the schedule of benefits provided. Additionally, not all issues related to health insurance reimbursement were properly documented in the minutes. As a result the Village did not comply with these policies.

Contrary to Ohio Revised Code 733.28 the Village did not maintain an accurate receipt ledger, appropriation ledger, or cash journal and did not classify receipts and disbursements on the financial statements. Ohio Administrative Code 117-2-02(A) the Village did not maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions.

Contrary to Ohio Revised Code Sections 121.22(C) and 149.43 the Village did not maintain a full and accurate record of their proceedings.

Contrary to Ohio Revised Code Section 117.38 the annual financial report was not filed accurately.

Contrary to the Village's approved investment policy the Village did not monitor their investment portfolio, establish and maintain an internal control structure, establish an annual review by an external auditor, prepare investment reports, and maintain a list of financial institutions authorized to provide investment services.

Contrary to the Village's debt covenants within the First Mortgage Waterworks System Revenue Refunding Bonds the Village did not maintain adequate Net Income Available for Debt Service as required.

Two former mayor's were not paid according to Ordinance 1425, resulting in findings for recovery.

Seven employees (former and current) were not reimbursed for medical related expenses according to Village policy, resulting in findings for recovery. Two of these employees have repaid the findings during the audit. Additionally, a finding for recovery was issued against a former employee related to insufficient documentation to support the expenditure.

12. Going Concern / Subsequent Event

During the years of 2006 and 2007, and the first part of 2008, financial records were not kept in compliance with proper fund accounting procedures. During this same period, the water, electric and garbage enterprises were operating in excess of their revenues, due to inadequate rates. Electric rate ordinances were passed by council but were either not implemented, or were implemented incorrectly. A water rate increase had not occurred since 2003. After the financial records for that time period were reconstructed, the General fund was found to be posting a deficit cash balance, as well as the Police Pension fund, the Sidewalk Debt fund, the Water Enterprise fund and the Garbage fund.

As of December 31, 2008, the General fund balance was negative \$481,396. Other deficit balances at that time include the Police Pension Fund with a balance of (\$32,322), the Sidewalk Debt Fund with a balance of (\$16,625), the Water Enterprise fund with a balance of (\$83,575) and the Garbage Fund with a balance of (\$4,099).

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

12. Going Concern / Subsequent Event (Continued)

The Village of Bethel has taken the following steps toward recovery:

- On July 1, 2008, water rates were increased 40% and electric rates were increased 11% on average. The garbage rates were set to cover the contractual expense with Rumpke.
- The electric, water and street departments were consolidated into one Public Works Department, effective September 22, 2008. This allowed for a staff reduction from ten public works employees to six public works employees, and allowed us to minimize the burden of public works on the general fund. This reduced the public works payroll by \$203,568 and reduced the public works burden on the general fund by \$65,000
- The Police Department staffing was reduced from five full time officers plus a full time chief, down to two full time officers plus a full time chief during the time period of September 30, 2008 to August 27, 2009. This reduced the police payroll by \$135,238.
- Our full time police clerk/mayor's court clerk was eliminated on May 27, 2009. The functions of the police clerk were absorbed by the officers. The functions of the mayor's court clerk were given to a full time utilities clerk. This reduced the police payroll by approximately \$33,434.
- No employee pay increases were issued in 2009 and council has voted against increases in 2010.
- For 2010, the General fund is projected to operate within 85% of the fund's anticipated revenues.

Both the Water and Garbage funds are anticipated to post a positive balance by December 31, 2009, due to the rate increases. The police pension fund receives bi-annual property tax settlements due to the passage of a police levy in 2005. The police pension expenses will be paid by the General fund until the Police Pension fund posts a positive balance.

The Local Government Services Division of the Auditor of State's office was contacted by the Village regarding the financial difficulties, and is expected to begin a fiscal analysis under the criteria established in ORC Chapter 118 in January, 2010. The Village anticipates a fiscal declaration following the analysis, due to the significant General fund deficit balance and the fulfillment of Chapter 118 criteria.

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Mary Taylor, CPA

Auditor of State

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

Village of Bethel
Clermont County
120 North Main Street
Bethel, Ohio 45106

To the Village Council:

We have audited the financial statements of the Village of Bethel, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated December 22, 2009, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We qualified our report because of the omission of receipt and disbursement classifications required in administrative code 117-2-02(A). We also noted the Village suffered recurring losses from operating and has a negative General Fund balance. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

We consider findings 2007-013, 2007-014, 2007-022, 2007-024 and 2007-027 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2007-013, 2007-014, and 2007-022 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated December 22, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-028.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 22, 2009.

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the finance committee, management, and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 22, 2009

VILLAGE OF BETHEL
CLERMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Finding for Recovery

Village of Bethel Ordinance 1425 sets the Mayor's salary at \$7,000 if the Mayor presides over Mayor's Court and \$4,000 if the Mayor does not preside over Mayor's Court. Mr. Kevin Perkins was the Mayor from July 17, 2006 to September 17, 2006. During this time he did not preside over Mayor's Court and thus should have been paid \$4,000 annually. Instead of being paid \$4,000 annually, he was paid \$7,000 annually and as a result, between July 17, 2006 and September 17, 2006, Mr. Perkins was overpaid \$833.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Kevin Perkins in the amount of \$833, and in favor of the Village of Bethel General Fund, in the amount of \$833.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Clarissa McCoy, Michael Shiverski, and Travis Dotson signed the warrants resulting in improper payments. Clarissa McCoy, former Fiscal Officer and Travis Dotson, Administrator, are jointly and severally liable in the amount of \$394 and Michael Shiverski, former Administrator, is jointly and severally liable in the amount of \$438 and in favor of the General Fund to the extent that recovery is not obtained from Kevin Perkins.

FINDING NUMBER 2007-002

Finding for Recovery

Village of Bethel Ordinance 1425 sets the Mayor's salary at \$7,000 if the Mayor presides over Mayor's Court and \$4,000 if the Mayor does not preside over Mayor's Court. Mr. Travis Dotson was the Mayor from September 17, 2006 to March 13, 2008. During this time he did not preside over Mayor's Court and thus should have been paid \$4,000 annually. Instead of being paid \$4,000 annually, he was paid \$7,000 annually and therefore between September 17, 2006 and March 13, 2008, Mr. Dotson was overpaid \$4,712. The current Fiscal Officer discovered this discrepancy in late December 2008, at which point Mr. Dotson agreed to begin repaying the deficit at \$100 per pay effective January 1, 2009. From January 1, 2009 to December 16, 2009, \$2,500 has been repaid. Therefore a total of \$2,212 is still due to the Village.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Travis Dotson in the amount of \$2,212, and in favor of the Village of Bethel General Fund, in the amount of \$2,212.

**FINDING NUMBER 2007-002
(Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Clarissa McCoy, Michael Shiverski, and John Swarthout signed the warrants resulting in improper payments. Clarissa McCoy, former Fiscal Officer is jointly and severally liable in the amount of \$2,000, Michael Shiverski, former Administrator, and his bonding company Western Surety Company (effective January 2007) are jointly and severally liable in the amount of \$2,050 and John Swarthout, Mayor is jointly and severally liable in the amount of \$162, in favor of the General Fund to the extent that recovery is not obtained from Travis Dotson.

FINDING NUMBER 2007-003

Finding for Recovery

The Village of Bethel provided health insurance to Village officials and employees. The health insurance plan permitted reimbursements to Village officials and employees for various out of pocket medical expenses incurred. Additionally, the Village’s Schedule of Benefits, effective May 1, 2006, states that a single plan has a maximum benefit of \$500 per person. The former Village Fiscal Officer Clarissa McCoy processed the medical reimbursements and the former Village Administrator Michael Shiverski signed the warrants resulting in the improper payments.

On July 9, 2007, the Village of Bethel paid Ms. Mary Daugherty \$159.44, however no documentation was provided to support \$40 of this payment which was for a reimbursable expense covered by the Village’s health insurance plan. As a result, Ms. Daugherty was improperly paid \$40. On September 4, 2007, the Village of Bethel paid a vendor \$754.53 for Ms. Daugherty’s eye exam and glasses. As stated above the maximum benefit was \$500 per person, and as a result, Ms. Daugherty improperly received a benefit of \$254.53 above the plan limit. These amounts were paid from the General Fund.

Ms. Daugherty retired on November 30, 2007 and received payment for accrued but unused vacation and sick leave, as well as all wages due. However, on December 27, 2007, a non-payroll check was issued to Ms. Daugherty in the amount of \$1,124 with the explanation of “two weeks pay out retirement.” The Village has provided no documentation to support this expenditure and has not provided any explanation in support of this payment. Therefore, Ms. Daugherty was overpaid \$1,124.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mary Daugherty in the amount of \$1,418.53, and in favor of the Village of Bethel General Fund, in the amount of \$1,418.53.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

**FINDING NUMBER 2007-003
(Continued)**

Clarissa McCoy, former Fiscal Officer and Michael Shiverski, former Administrator, and his bonding company Western Surety Company are jointly and severally liable in the amount of \$1,418.53 and in favor of the General Fund to the extent that recovery is not obtained from Mary Daugherty.

FINDING NUMBER 2007-004

Finding for Recovery

The Village of Bethel provided health insurance to Village officials and employees. The health insurance plan permitted reimbursements to Village officials and employees for various out of pocket medical expenses incurred. The former Village Fiscal Officer Clarissa McCoy processed the medical reimbursements and the former Village Administrator Michael Shiverski signed the warrants resulting in the improper payments.

On April 24, 2006, the Village of Bethel made a medical expense reimbursement to Mr. Mitch Hatfield for \$426.99. However, no documentation was provided to support that this payment was for a reimbursable expense covered by the Village's health insurance plan. As a result, Mr. Hatfield was improperly reimbursed \$426.99 which was paid from the Street Fund.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mitch Hatfield in the amount of \$426.99, and in favor of the Village of Bethel Street Fund, in the amount of \$426.99.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Clarissa McCoy, former Fiscal Officer and Michael Shiverski, former Village Administrator, are jointly and severally liable in the amount of \$426.99, and in favor of the Street Fund to the extent that recovery is not obtained from Mitch Hatfield.

FINDING NUMBER 2007-005

Finding for Recovery Repaid Under Audit

The Village of Bethel provided health and dental insurance to Village officials and employees. The health and dental insurance plans permitted reimbursements to Village officials and employees for various out of pocket medical and dental expenses incurred.

On April 24, 2006 the Village of Bethel reimbursed Mr. Robert Collins for medical and dental payments made in the amount of \$1,223.22. The reimbursement included a duplicate payment for the same service in the amount of \$198. As a result, Mr. Collins was improperly reimbursed \$198 which was paid from the Street Fund.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Robert Collins, and in favor of the Village of Bethel Street Fund, in the amount of \$198.

**FINDING NUMBER 2007-005
(Continued)**

We brought this matter to the Village's attention. On October 20 and 22, 2009, Mr. Collins paid \$170 and \$28, respectively, to the Village of Bethel Street Fund. We recommend that the schedule of benefits in effect at the Village, as well as documentation from the employee, be reviewed to ensure proper payment.

FINDING NUMBER 2007-006

Finding for Recovery Repaid Under Audit

On January 2, 2006 and February 8, 2006, the Village of Bethel reimbursed Ms. Kelly Terry \$473.50 for medical expenses. No documentation was provided to support the February 8, 2006 reimbursement, as this was a duplicate payment. As a result, Ms. Terry was improperly reimbursed \$473.50.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Kelly Terry, and in favor of the Village of Bethel Electric Fund, in the amount of \$473.50.

We brought this matter to the Village's attention. On October 28, 2009, Kelly Terry repaid \$473.50 to the Village of Bethel Electric Fund. We recommend that the schedule of benefits in effect at the Village, as well as documentation from the employee, be reviewed to ensure proper payment.

FINDING NUMBER 2007-007

Finding for Recovery Repaid Under Audit

On January 20, 2006 and June 6, 2006, the Village of Bethel reimbursed Mr. Jerry Whitacre \$218.86 for medical expenses. No documentation was provided to support the June 6, 2006 reimbursement, as this was a duplicate payment. As a result, Mr. Whitacre was improperly reimbursed \$218.86. Additionally, on various dates in 2006 and 2007 Mr. Whitacre was reimbursed the entire amount of fifteen office visit copays and therefore did not pay the required \$5 under the Village's Schedule of Benefits. Therefore, Mr. Whitacre was improperly reimbursed \$75.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jerry Whitacre in the amount of \$293.86, and in favor of the Village of Bethel Water Fund, in the amount of \$293.86.

We brought this matter to the Village's attention. On December 16, 2009, Jerry Whitacre repaid \$293.86 to the Village of Bethel Water Fund. We recommend that the schedule of benefits in effect at the Village, as well as documentation from the employee, be reviewed to ensure proper payment.

FINDING NUMBER 2007-008

Finding for Recovery

The Village of Bethel provided health insurance to Village officials and employees. The health insurance plan permitted reimbursements to Village officials and employees for various out of pocket medical expenses incurred. The former Village Fiscal Officer Clarissa McCoy processed the medical reimbursements and the former Village Administrator Michael Shiverski signed the warrants resulting in the improper payments.

**FINDING NUMBER 2007-008
(Continued)**

In May of 2006 Mr. Shane Binger submitted invoices for reimbursement which included two vendor invoices in the amount of \$214 and \$89. The Village issued the medical reimbursement to Mr. Binger on May 15, 2006. In July of 2006 Mr. Binger resubmitted the vendor invoices for reimbursement that were previously paid on May 15, 2006. The Village issued a double payment to the vendor for the same services and amounts on July 20, 2006, with check numbers 16156 and 16157. Therefore, as a result of the duplicate reimbursements, an overpayment of \$303 occurred. These amounts were paid from the General Fund. This overpayment was signed by Michael Shiverski, former Administrator and Clarissa McCoy, former Fiscal Officer.

In addition, on February 22, 2006, a payment to Mr. Binger included reimbursement for a \$12 non-sufficient funds (NSF) fee charged by a medical vendor and \$30 of medical expenses that had no supporting documentation that this payment was for a reimbursable expense covered by the Village's health insurance plan. It is not a proper public purpose for the Village to reimburse an employee for NSF fees or unsupported expenses. Thus, this reimbursement resulted in an improper payment of \$42. This amount was paid from the General Fund. This improper payment was signed by Michael Shiverski, former Administrator.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Shane Binger in the amount of \$345, and in favor of the Village of Bethel General Fund, in the amount of \$345.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Michael Shiverski, former Administrator, and Clarissa McCoy, former Fiscal Officer, are jointly and severally liable in the amount of \$345 and 303, respectively, and in favor of the General Fund to the extent that recovery is not obtained from Shane Binger.

FINDING NUMBER 2007-009

Finding for Recovery

The Village of Bethel provided health insurance to Village officials and employees. The health insurance plan permitted reimbursements to Village officials and employees for various out of pocket medical expenses incurred. The former Village Fiscal Officer Clarissa McCoy processed the medical reimbursements and the former Village Administrator Michael Shiverski signed the warrants resulting in the improper payments.

On April 9, 2006, the Village of Bethel paid Ms. Kem Gay \$418.46, however no documentation was provided to support that this payment was for a reimbursable expense covered by the Village's health insurance plan. In addition, on January 23, 2007 Ms. Gay was reimbursed \$100 for medical expenses; however there was only documentation presented to support that \$63.45 was for a reimbursable expense covered by the Village's health insurance plan. As a result, Ms. Gay was improperly reimbursed \$455.01. \$418.46 was paid from the Electric Fund and \$36.55 was paid from the Water Fund.

**FINDING NUMBER 2007-009
(Continued)**

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Kem Gay in the amount of \$455.01, and \$418.46 in favor of the Village of Bethel Electric Fund and \$36.55 in favor of the Village of Bethel Water Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Michael Shiverski, former Village Administrator and his bonding company Western Surety Company (effective January 2007) are jointly and severally liable in the amount of \$455.01, \$418.46 in favor of the Electric Fund and \$36.55 in favor of the Water Fund to the extent that recovery is not obtained from Kem Gay. Clarissa McCoy, former Fiscal Officer is jointly and severally liable in the amount of \$36.55 in favor of the Water Fund to the extent that recovery is not obtained from Kem Gay.

FINDING NUMBER 2007-010

Material Noncompliance

Mayor's Court

The following noncompliance issues were noted related to the operations of the Mayor's Court:

- R.C. 9.38 requires monies to be deposited timely. Deposits were not made timely based on transaction dates and deposit ticket dates.
- R.C. 733.40 requires disbursements to be done by the first Monday of each month and a monthly Mayor's Court report to be provided at the first monthly meeting of Council stating the money received, from whom and for what purposes received, and when paid into the treasury. Mayor's court reports were not found in the minutes for numerous months in 2007. R.C. 2743.70 requires monies collected for additional court costs shall be transmitted on the first business day of each month to the Treasurer of State. Monies were not submitted by this required date per testing for November and December 2007.

To improve accountability over Mayor's Court receipts and reduce the chance of errors occurring and not being detected, the Village should adopt policies and procedures for the collection of Mayor's Court receipts including the following procedures:

- Deposit slips should indicate the cash amount and include a detailed list the checks included with the deposit and their amounts and who they are paying for, if not the same name as the check. Deposits should be made within 24 hours of receipt, and receipts not deposited, should be safeguarded to prevent possible misappropriation of funds.

**FINDING NUMBER 2007-010
(Continued)**

- Monthly the distributions should be performed accurately and timely based on the applicable section of law. These distributions should be reviewed and initialed by the Mayor or someone knowledgeable of the Mayor's Court activities to provide a check on what the Clerk is distributing. Monthly the Mayor's court reports should be reviewed, approved and submitted to Council for approval by the required time period.

FINDING NUMBER 2007-011

Material Noncompliance

Utilities Operations

Ohio Rev. Code Section 735.273 states, in part, that the rates for service and charges for municipally owned utilities shall be determined by the legislative authority of the village.

During our audit period the following electric rate (residential and commercial) ordinances were in effect according to minute records:

Ordinance 1293 and 15% increase approved by BPA on September 1, 2001
Ordinance 1554 in effect from November 1, 2006 through June 30, 2008

Although, these ordinances were approved in the minutes, there were various discrepancies in the implementation and interpretation of these ordinances. Notably, the ordinances approved were not clear as to the Village's billing rates and the rates did not appear to have been applied to the billings as the ordinances read in all cases. In addition, we noted that deposits were not made within 24 hours for 13% of the days tested in 2006 and 6% in the days tested in 2007 contrary to Ohio Revised Code Section 9.38. Upon discussion with various council members and personnel at the Village we found that there even existed differences among Village personnel on how these rates changes were to be applied to utility billings.

These discrepancies lead to confusion about rates input into the computer system and resulted in obtaining Council's clarification of intent in regards to the rates charged to customers during our audit period. There was potential lost revenue for the Village due to inaccurate rate implementation.

To reduce the likelihood of future discrepancies involving council approved rates for utilities, we recommend ordinances be clear and explained to staff that are responsible for implementation and enforcement of the rates in the system. A system should be implemented to check all change in rates that could apply to ensure that the interpretation of the ordinance matches what the system calculates and Council should document their review of this testing.

Any changes that are made to standing data in the utility billing system should be reviewed prior to issuing billings the first time. The Village Administrator should review these changes and sign off to assure they match legislatively approved rates.

The Village utility billing computer system should limit access to standing data rates to select individuals assigned the duties of changing rates and also track when such standing data changes are made. This documentation should be reviewed and maintained by the Village.

**FINDING NUMBER 2007-011
(Continued)**

A reconciliation should always be performed between the computer receipt reports and bank deposits of receipts. Reliance on a computerized system means reliance on the reports, any differences between reports and actual receipts should be documented. Additionally, a reconciliation between bank deposits of utility receipts and recording of these revenues in the Village appropriate funds should also be performed. Furthermore, all deposits should be made within 24 hours of receipt.

FINDING NUMBER 2007-012

Material Noncompliance

Payroll

During our audit period the pay rate approvals/ordinances in effect according to minute records were as follows:

Pay approval for 2006 were effective from January 1, 2006 through December 31, 2006
Ordinance 1559 was approved on January 8, 2007 effective from January 1, 2007 through
December 31, 2007

Although these pay rates/ordinances were approved in the minutes, there were various discrepancies within the ordinances. Notably, Ordinance 1559 approved in the minutes for 2007 was not included in the ordinance book. Upon discussion with various Council members and personnel at the Village we found that there was a copy of the pay rates maintained by a Council member which they felt was accurate. However, we asked Council to clarify the pay rates during the audit period for each individual since the pay scales did not detail payment by employee.

In addition to the errors in the ordinance book the following issues were also noted:

- Not all employee pay rates were approved or were represented on an approved pay scale;
- Hiring, raises and promotions of staff were not noted in the minutes as approved by Council;
- Severance package details were not noted in the minutes as approved by Council;
- Mayor's pay was incorrectly calculated based on Ordinance 1425, which sets the Mayor's salary based on whether or not the Mayor presides over Mayor's Court.
- R.C. 5747.07(B)(4) requires employers to make payment of unremitted state income taxes for each calendar quarter during which they were required to be withheld. No later than the last day of the month following the last day of each quarter they shall file the proper return with the payment. State withholdings were underpaid one month in 2006 and overpaid one month in 2007 per Ohio Department of Taxation notification, the underpayment resulted in a \$117 penalty.
- R.C. 145.48 requires that employers shall pay quarterly to Public Employees Retirement System the employers' contribution which shall be a certain per cent of the earnable salary of all the contributors. Retirement withholdings were not remitted timely resulting in penalties and interest of \$2,115.
- In 2007, one employee was paid out for unused vacation leave, however, no retirement was withheld.

**FINDING NUMBER 2007-012
(Continued)**

These discrepancies led to confusion regarding compensation, leave and payouts and resulted in obtaining Council's clarification of intent in regards to pay during our audit period and findings for recovery related to inaccurate payouts of leave balances.

To reduce the likelihood of payroll expenditures not being properly made in the future, we recommend the following:

- Annually all employee pay rates or scales should be clearly approved by Council and this approval be detailed in the minutes. Any scale used should include all positions within the Village and should easily determine the appropriate rate for each employee;
- All hiring, raises, promotions, and severance package details should be approved by Council in the minutes;
- Periodically payroll records should be reviewed for variances from approved pay rates/ordinances.
- State and Retirement withholdings should be made timely and accurately to avoid penalties and interest.
- Retirement should be withheld on all payroll checks.

FINDING NUMBER 2007-013

Material Noncompliance / Material Weakness

The Village had an established Employee Handbook in effect from November 24, 2003 through June 25, 2007, and adopted a revised Employee Handbook beginning June 25, 2007 through the remainder of the audit period. Section 316 in the Handbook prior to June 25, 2007 and Section 314 in the Handbook after June 25, 2007, referenced Health Insurance (i.e. health, dental and vision) to be provided by the Village to employees. Within each section of the Handbook it stated that coverage, in addition to coverage provided by the Village's insurance carrier, was described in a Summary Plan Description (SPD). However, a SPD was not approved in the minutes by Council at any time during the audit period.

Upon discussion with Council it was determined that insurance was a topic of discussion within the Finance Committee, however, until mid-2008 minutes of this Committee were not recorded. According to written documentation from two Councilmen in office during the period of January 1, 2006 through May 1, 2006, the Village's practice at the time was to reimburse the employee, or pay the vendor, for any amounts over what the Village's insurance carrier would not pay.

Per discussion with the third party administrator, the Village's benefit insurance agent, and Council members, from May 1, 2006 through June 1, 2008, the Village did have a Schedule of Benefits in place detailing what the Village would reimburse employees for over and above the insurance carrier plan, as well as any amounts for which the employee was responsible. The Village decided not to use a third party administrator to process employee medical, dental and vision claims for the period of January 1, 2006 through May 31, 2008. However effective May 1, 2006 claims were processed by ClaimLinx, a third party administrator. They processed claims from May 1, 2006 through March 1, 2007, and again beginning June 1, 2008 through the end of the audit period.

Medical Reimbursements – A review of the medical reimbursements made during the audit period revealed the following issues:

FINDING NUMBER 2007-013
(Continued)

Policy Issues: During the 2006-2008 audit period we noted that the Employee Handbook in effect from 2003-2007 mentions Health Insurance coverage in section 316. It states that a summary of plan description was available and it gives details on vision coverage, however all that the Village was able to provide was a schedule of benefits that appeared to have been prepared by Total Benefits Consulting. Total Benefits Consulting assisted the Village in purchase of insurance plans and provided guidance to Council on the employee reimbursement plan that Council should have adopted and approved. The 2007 version of the Employee Handbook removed the detailed reference to vision coverage in section 314 Health Insurance. Based upon review of the documentation provided by Council we recommend the following related to medical reimbursements:

- Health care plans (health, dental, vision) should be documented by ordinance creating a permanent record of their policy, adoption of any plan documents and be detailed in the minutes. Detailed plan documents should included in the ordinance book for preservation;
- The policy regarding the payment of spouse's insurance premiums and how other bills not paid by spouse's insurance will be treated under the Village policy should be detailed and adopted. The policy on how dental and vision reimbursements would be handled if medical coverage was not obtained from the Village should be detailed and adopted. Their policy was not clear on the reimbursement of procedures that would not be covered under Humana, for example, cosmetic surgery. This should be clarified. We found the policy in handbook was in conflict with the schedule of benefits on vision coverage for 2006 and part of 2007. The clarification of policy is necessary to ensure proper application of schedule of benefits and reimbursements allowed;
- It was noted that during the periods when the Village was using the third party administrator for employee reimbursements that some employees had submitted claims to the Village fiscal officer which were paid out by the fiscal officer. If the Village is using a third party administrator to process claims then the Village should not be processing these claims. The third party administrator is typically used since they have the medical background and expertise to review claims and determine whether they should be paid according to the schedule of benefits for the Village's insurance coverage.
- The schedule of benefits provides summary of covered procedures, however no additional clarification was provided on how Schedule of benefits would be applied. Knowledge of how to apply the schedule of benefits would be necessary in order to process reimbursement requests;
- Schedule of benefits had various effective dates listed which could indicate that amendments to the schedule was made, however no permanent records were kept of plans in effect. Plan periods (effective dates) should be retained for documentation.
- Health records were not kept in such a way to promote confidentiality under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Review of requirements related to these records should be performed to ensure compliance with HIPAA.

**FINDING NUMBER 2007-013
(Continued)**

- Claimlinx is considered a service organization to the Village for processing of medical claims and reimbursements. There was limited use of Claimlinx during the audit period and we did not consider the transactions to be financially significant. However, if this service is continued, the transactions processed may be considered material in the future. Service organizations are part of a user organization's information / accounting system. In obtaining or updating an understanding of an auditee's accounting system, we must understand the service organization's accounting processes and controls sufficiently to assess the risk of material misstatement to the Village's financial statements resulting from the transactions processed by the service organization. The most efficient way to obtain or update the necessary understanding of a service organization's systems and the operating effectiveness of controls is to obtain a service auditor's "Type II" report (SAS 70). If the service organization has not had a SAS70 Type II report performed, the auditor must perform alternative procedures or consider issuing a material weakness and also an opinion scope restriction. This should be part of the considerations of the health insurance program and the Village may want to include the third party administrator provide a SAS 70 report as part of their contract with Claimlinx.

Processing Issues: During the 2006-2008 audit period we noted that the Village had Claimlinx process medical reimbursements for part of the time in 2006 and then the contract was not reestablished until June 2008. When ClaimLinx was not processing claims for the Village the Village was processing the claims themselves which led to the issues below.

- From review of the documentation provided and discussions with Village employees we found they were not provided with detailed procedures on claims submission or payments for reimbursement by the Village. . Processing procedures are recommended to be established and distributed to employees to ensure consistency and accuracy in the application of the Village's policy;
- Village employees processing claims lacked the expertise to evaluate claims submitted for payment and did not appear to have any clarification of application of the schedule of benefits.
- Some claims were paid twice, once directly to provider and once reimbursing the employee for payment. Also, some claims were paid for more than the plan limits. It appeared that the payment of co-pays listed on the schedule of benefits were not monitored and deducted from bills submitted for reimbursement. This was all due to lack of tracking of claims payments made and monitoring of plan limits. This resulted in findings for recovery which are noted in Findings 2007-003 through 2007-009 in this report. Payments of claims need to be tracked in order to prevent duplicate payments and knowledge of the plan limits by those processing reimbursements is necessary to prevent overpayment of plan limits;
- Documentation provided for reimbursements was not always complete or accurate. The following was noted: one reimbursement included an NSF fee charged by a provider to the employee; reimbursements were made on summary statements instead of actual bills; reimbursements were made on explanation of benefits of other insurance providers and then also paid on the actual invoice received from the provider; and, medical claim reimbursements were made without proof that they were submitted to Humana first, (i.e. no explanation of benefits were included in the supporting documentation). This resulted in inconsistent and improper application of the Village health policies and resulted in amounts being expended by the Village in excess of their policy. Should the Village determine to process claims in the future detailed procedures should be developed and distributed to employees outlining necessary documentation for employee health related reimbursements.

FINDING NUMBER 2007-014

Noncompliance Citation/Material Weakness

Financial Recordkeeping

Ohio Rev. Code, Section 733.28, requires, in part, that the village fiscal officer shall keep the books of the village and exhibit accurate statements of all moneys received and expended. The Village's fiscal officer did not maintain an accurate receipt ledger, appropriation ledger or cash journal. The Village did not classify receipt and disbursement transactions. The Village was therefore unable to monitor compliance with its appropriation resolution. The Village was also unable to classify receipts by source or disbursements by purpose in its annual report, contrary to Ohio Rev. Code Section 117.38.

The 2007 and 2006 financial statements present receipts and disbursements by totals only. **Ohio Administrative Code, 117-2-02(A)**, requires governments to classify receipt and disbursement transactions, however, no receipts and appropriations ledgers were maintained, only a cash journal.

In addition, **Ohio Admin. Code, Section 117-2-02(A)**, states in part that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

During the period of January 2006 through December 2007, the Village's Fiscal Officer did not prepare accurate cash reconciliations. The following issues were noted from review of the Village's financial records and bank statements:

- During 2007, the Village had a money market account with UBS Financial Services that was not reported on the Village's monthly bank reconciliations and the funds were not represented in the fund balances of the Village. At December 31, 2007, this money market account totaling \$12,344 has been included in the financial statement fund balances. Additionally, in 2006 and 2007, the investments were not being reported at cost, but market value. The reconciliations were corrected to reflect the cost of the investments.
- Errors were noted in 2007 regarding deposits in transit. Two deposits in transit were double posted on the cashbook and two deposits in transit were not deposited until several months into 2007.
- There is no evidence that the monthly reconciliations prepared were reviewed upon completion.
- The Fiscal Officer did not have a duplicate receipt book to record monies received directly by the Fiscal Officer.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been deposited with the financial institution.

We recommend the Fiscal Officer properly reconcile their accounts on a monthly basis. Any variances should be immediately investigated and justified. We also recommend that Council or an appointee of Council, review and sign off on the reconciliation thereby indicating approval and promoting timeliness of reconciliations. We also recommend duplicate receipts be written for all monies received by the Fiscal Officer in a separate receipt book.

There were several instances where revenue or expenditures were either not properly recorded or not recorded at all into the Village's accounting system:

FINDING NUMBER 2007-014
(Continued)

- In 2006, the Village posted MVL tax monies to the General and Permissive MVL Tax funds totaling \$1,403 and \$5,258, respectively, which should have been posted to the State Highway and Street Construction, Maintenance and Repair funds in the amount of \$499 and \$6,162, respectively. In 2007, the Village posted MVL tax monies to the Permissive MVL Tax fund totaling \$17,697, which should have been posted to the State Highway and Street Construction, Maintenance and Repair funds in the amount of \$1,327 and \$16,370, respectively.
- In 2006, the Village posted gasoline tax to the General fund totaling \$25,922 of which \$1,944 and \$23,978 should have been posted to the State Highway and Street Construction, Maintenance, and Repair funds, respectively. In 2007, the Village posted gasoline tax to the General fund totaling \$28,688 which should have been posted to the State Highway and Street Construction, Maintenance and Repair funds in the amount of \$2,152 and \$26,536, respectively.
- In 2006, the Village posted gasoline tax to the State Highway Fund in the amount of \$1,886 which should be posted to the Street Construction, Maintenance, and Repair fund. In 2007, the Village posted gasoline tax to the State Highway Fund in the amount of \$4,296 which should be posted to the Street Construction, Maintenance, and Repair fund.
- In 2006 and 2007, the Village posted gasoline tax to the Street Construction, Maintenance and Repair fund in the amount of \$168 and \$348, respectively, which should have been posted to the State Highway fund.
- In 2006, the Village posted all homestead and rollback revenue to the General Fund of which \$4,279, \$2,249, \$834, and \$942, was to be posted to the Street and Bridge, Police Levy, Police Pension, and Police Communications funds, respectively. In 2007, the Village posted all homestead and rollback revenue to the General Fund of which \$5,602, \$2,291, \$842, and \$970, was to be posted to the Street and Bridge, Police Levy, Police Pension, and Police Communications funds, respectively.
- In 2006, the Village posted all of the 1st House Bill 66 revenue to the General Fund of which \$131, \$65, \$20, and \$59, was to be posted to the Street and Bridge, Police Levy, Police Pension, and Police Communications funds, respectively.
- In 2006, the Village posted all of the first half personal property taxes to the General Fund of which \$156, \$70, \$23, and \$78, was to be posted to the Street and Bridge, Police Levy, Police Pension, and Police Communications funds, respectively.
- In 2006, the Village posted Sidewalk Special Assessment and Delinquent Utility Collections to the General fund in the amount of \$34,291 of which \$13,279, \$17,594, \$2,953, and \$465 was to be posted to the Sidewalk Assessment, Electric, Water, and Garbage funds, respectively.
- In 2006 and 2007, investment activity was not properly posted in the cashbook. Various adjustments were made to properly reflect the gains/losses on sales.
- In 2006 and 2007, interest earned on investments in the amount of \$5,976 and \$15,629, respectively, was not posted. Interest posted to the cash journal for 2006 investments and 2006 and 2007 STAR Ohio was done incorrectly to the Electric Fund instead of per Ohio Rev. Code Section 135.21 (i.e. General, Street Construction, Maintenance, and Repair, State Highway, and Permissive MVL Tax funds).

**FINDING NUMBER 2007-014
 (Continued)**

- Unallowable end of year adjustments were made to the 2007 cashbook, thus entries were reversed. This resulted in a decrease in the State Highway and Police Pension funds in the amount of \$6,181 and \$35,284, respectively, and an increase in the General, Permissive MVL Tax, Police Levy, Enforcement and Education, Law Enforcement, and Drug Law funds in the amount of \$25,555, \$6,181, \$3,478, \$2,474, \$254, and \$3,523, respectively.
- In 2006 the Village posted a Sidewalk Assessment Debt interest payment in the amount of \$1,238 to the General Fund instead of the Sidewalk Assessment Debt Fund. In 2007 the Village posted a Sidewalk Assessment Debt interest payment in the amount of \$619 to the First Water Mortgage Revenue Fund instead of the Sidewalk Assessment Debt Fund.
- In 2006 a payment for the First Water Mortgage Revenue Bonds was made from the Water Tower Fund. The Water Tower fund was created with a transfer from the Water Fund in a prior audit period. At the end of 2006, the balance in the Water Tower Fund was moved back to the Water Fund because the project was cancelled. The Water Fund should make transfers to the First Water Mortgage Fund to adequately cover debt service payments as required in the debt covenants.

In addition to the numerous receipts adjustments noted above, expenditures in each of the funds the Village originally posted the receipts to were reviewed. It was determined, in several instances, that expenditures from the original fund could have been spent from the fund in which the receipts were adjusted to. Therefore, \$34,959 in expenditures were adjusted accordingly on the financial statements to properly reflect activity.

As a result of these errors, receipts and disbursements for certain line items and funds were incorrectly reported on the Village's annual report. All adjustments were made to individual funds on the financial statements and the accounting records. We recommend due care be exercised and the chart of accounts be utilized when posting entries to the cash journal to prevent errors and assist in accurately reflecting the Village's financial activity in the financial statements.

FINDING NUMBER 2007-015

Noncompliance Citation

Budgetary

Ohio Rev. Code, Section 5705.36(A)(4), states that upon determination by the fiscal officer of a subdivision that the revenue to be collected will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. Actual revenue was less than estimated revenues, and the deficiency reduced available resources below the level of 2007 appropriations in the following fund:

	Beginning		Total		
	Unencumbered	Actual	Available		
Fund	Fund Balance	Receipts	Resources	Appropriations	Variance
General Fund	\$ (110,253)	\$ 475,748	\$ 365,495	\$ 733,974	\$ (368,479)

Failure to monitor actual results and amend appropriations and estimated resources accordingly may result in the Village incurring obligations that exceed their available resources. We recommend that the Village monitor their budgeted and actual resources and appropriations.

FINDING NUMBER 2007-016

Noncompliance Citation

Budgetary

Ohio Rev. Code, Section 5705.41(B), states that no subdivision shall make any expenditure of money unless it has been appropriated. No appropriation measure was approved for 2006 and Expenditures exceeded appropriations in the following funds in 2007:

Fund	Appropriations	Expenditures	Variance
State Highway	\$ 7,050	\$ 7,401	\$ (351)
Police Communications	13,484	24,915	11,431
Electric	1,801,619	3,009,890	1,208,271
Water	591,573	717,061	125,488

Failure to monitor appropriations and approve supplemental appropriations when necessary could cause the Village to spend more money than they have available and could lead to possible negative fund balances. We recommend that the Village limit expenditures and encumbrances to appropriations throughout the fiscal year.

FINDING NUMBER 2007-017

Noncompliance Citation

Certification of Funds

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

1. "Then and Now" Certificate - If the fiscal officer can certify that both at the time that 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 three thousand dollars (\$3000) 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 expenditures by the Village.

**FINDING NUMBER 2007-017
(Continued)**

2. 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.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the 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.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

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

We recommend the Village officials and employees obtain the Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2007-018

Noncompliance Citation

Budgetary

Ohio Rev. Code, Section 5705.36(A)(1), requires that on or about the first day of each fiscal year, the fiscal officer is to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year. The Village did not file this certificate for 2006 and 2007. We recommend that the certificates be filed as required.

**FINDING NUMBER 2007-018
(Continued)**

Ohio Rev. Code, Section 5705.36(A)(3), states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess. No amended certificates were filed after the Official certificate filed in the budget process the year before for 2006 & 2007. We recommend that amended certificates be filed in conjunction with the adoption of the appropriation measure and as needed when revenue fluctuates.

FINDING NUMBER 2007-019

Noncompliance Citation

Budgetary

Ohio Rev. Code, Section 5705.38(A), requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. No appropriation measure was passed for 2006. We recommend that an appropriation measure be adopted by the required date.

FINDING NUMBER 2007-020

Noncompliance Citation

Budgetary

Ohio Rev. Code, Section 5705.39, provides, in part, that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure there from as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. In 2006 no appropriation measure was passed, therefore no certificate was obtained. In 2007 no certificate was on file. Additionally, appropriations exceeded the total resources in the following funds at 2007 fiscal year end:

**FINDING NUMBER 2007-020
 (Continued)**

Fund	Final Amended Certificate of Estimated Resources	Final Permanent Appropriations	Variance Favorable/ (Unfavorable)
General Fund	\$ 621,080	\$ 733,974	\$ (112,894)
Street and Bridge Resurfacing & Repair	22,137	53,780	(31,643)
Enforcement and Education Fund	2,575	3,350	(775)
County Shared Permissive Tax Fund	5,850	6,564	(714)
Court Computer Fund	7,200	10,748	(3,548)
Permissive Tax Fund	10,600	11,257	(657)
Police Cruiser Fund	36,500	48,085	(11,585)
Water Extension and Replacement Fund	31,000	40,000	(9,000)
Parking Meter Fund	2,400	5,700	(3,300)
Utility Deposit Fund	23,200	67,000	(43,800)
Electric Extension and Replacement Fund	24,000	48,000	(24,000)
Burke Donation Fund	8,800	9,100	(300)
Marriage Gratuity Trust Fund	-	100	(100)
New Municipal Building Construction Fund	-	25,000	(25,000)

Failure to limit appropriations to total estimated resources may result in the Village incurring obligations that exceed their available resources and could lead to deficit fund balances. We recommend that the Village limit appropriations to total estimated resources per fund.

FINDING NUMBER 2007-021

Noncompliance Citation

Deficit Fund Balances

Ohio Rev. Code, Section 5705.10(H), provides that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The following funds had negative fund balances at the end of 2006 and 2007 fiscal year end:

Fund	2006 Fund Balance
General Fund	\$ (110,253)
Police Pension Fund	(2,614)
Sidewalk Debt Service Fund	(14,819)
Water Fund	(22,329)

Fund	2007 Fund Balance
General Fund	\$ (279,786)
Police Pension Fund	(33,561)
Sidewalk Debt Service Fund	(19,590)
Water Fund	(118,056)
Garbage Fund	(2,669)

FINDING NUMBER 2007-022

Noncompliance Citation/Material Weakness

Accurate Postings to Financial Records

Ohio Rev. Code, 5705.10(D), states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. The Fiscal Officer made classification and posting errors as noted in Finding Number 2007-014.

The net adjustments at December 31, 2007, the Village made to their records and financial statements to increase/decrease fund balances to properly reflect receipts and expenditures in the proper funds are as follows:

Fund	Net Increase/ (Decrease)
General Fund	\$ (37,666)
Street Construction Maintenance and Repair	39,880
State Highway	6,972
Street and Bridge	(5,555)
Burke Park	19,581
Enforcement and Education	2,500
Drug and Law	3,723
Law Enforcement	254
Permissive Tax	10,417
Grant Memorial	2,079
Police	3,477
Police Pension	(33,561)
Sidewalk Debt	11,422
Water	2,953
Garbage	465
Electric	(17,319)
Water 1st Mortgage	619

Failure to post receipts and expenditures correctly inaccurately presents the Village financial statements and could lead to the incorrect forecasting of future receipts and expenditures. We recommend the Fiscal Officer take greater care when posting receipts and expenditures to the line items and funds.

FINDING NUMBER 2007-023

Noncompliance Citation

Transfers

Ohio Rev. Code, Section 5705.14, states transfers may be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. We noted transfers of fund balances to General Fund from the Enforcement and Education Fund, Drug Law Enforcement Fund, and Law Enforcement Trust Fund at the end of 2007. These funds are required by statute and have specific requirements regarding their use, therefore they should remain in a separate special revenue fund. These funds were returned to their respective funds through \$6,252 in audit adjustments and these audit adjustments have been reflected on the attached financial statements and accounting records.

FINDING NUMBER 2007-024

Noncompliance Citations/Significant Deficiency

Minute Records

Ohio Rev. Code, Sections 121.22(C) and 149.43, when read together impose a duty on the Village to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection.

The minutes are the official records of actions taken by Village Council and as such need to have sufficient detail to document their actions for record in the future. The minutes of Village Council did not contain the following details:

- Ordinances/Resolutions of the Village were not maintained sequentially and accurately in their ordinance and resolution books, some were missing and lacked signatures;
- Minutes were missing from the minute book for five meetings and the appropriate signatures were not maintained in numerous cases, corrections were not duly noted in all cases;
- Mayor's court reports were not given monthly as required;
- Approval of all budgetary actions was not noted;
- A list of all bids received and acceptance of bid was not always noted;
- Council did not receive financial information monthly from the Fiscal Officer or through the Finance Committee, until July 2008;
- Description of reason for executive session was not given on one occasion.
- Hiring, raises and promotions of staff were not always noted in the minutes as approved by Council.
- Transfers were not always approved prior to the transfer occurring.

Without complete and accurate minute records, resolutions and ordinances the intent of the Village Council is not clearly documented.

We recommend all official actions of Council should be approved in the minutes. Also, it is recommended that the resolution and ordinance books be maintained accurately.

FINDING NUMBER 2007-025

Noncompliance Citation

Annual Report

Ohio Rev. Code, Section 117.38, states, in part, that each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

FINDING NUMBER 2007-025
(Continued)

The report shall be certified by the proper officer or board and filed with the Auditor of State within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. The Auditor of State may extend the deadline for filing a financial report and establish terms and conditions for any such extension. At the time the report is filed with the Auditor of State, the chief fiscal officer, except as otherwise provided in section 319.11 of the Revised Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

The report shall contain the following:

- (A) Amount of collections and receipts, and accounts due from each source;
- (B) Amount of expenditures for each purpose;
- (C) Income of each public service industry owned or operated by a municipal corporation, and the cost of such ownership or operation;
- (D) Amount of public debt of each taxing district, the purpose for which each item of such debt was created, and the provision made for the payment thereof. The substance of the report shall be published at the expense of the state in an annual volume of statistics, which shall be submitted to the governor. The Auditor of State shall transmit the report to the general assembly at its next session.

Upon review of the Village's cash basis annual financial report filed with the auditor of state for the years ending December 31, 2006 and 2007, we determined that the reconciliations included in the reports were inaccurate. It was determined that the Village had not properly recorded all revenues and expenditures that had occurred during the period reflected in the cash basis annual financial report filed with the Auditor of State. We recommend that the Village follow the chart of accounts in the Village Officers Handbook (revised 3/2008) and report the actual financial activity of the Village when preparing their cash basis annual financial report that is filed with the auditor of state so that it is not incomplete or misleading.

FINDING NUMBER 2007-026

Noncompliance Citation

Investment Policy

Ohio Rev. Code, Section 135.14(O)(1), states, in part, that no treasurer or governing board shall make an investment or deposit under this section, unless there is on file with the auditor of state a written investment policy approved by the treasurer or governing board.

The Village's Investment Policy in part states the following:

Section 2: The Clerk-Treasurer shall routinely monitor the contents of the investment portfolio, the available markets and the relative value of competing investments and will adjust the portfolio accordingly.

**FINDING NUMBER 2007-026
(Continued)**

Section 6 (B): The investment officer is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the Village are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. Accordingly, the investment officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures.

Section 6 (C): The investment officer shall prepare an investment report at least quarterly that provides an analysis of the current investment portfolio. The management summary will be prepared in a manner, which will allow the Village to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the investment officer and all other designated parties.

Section 6 (D): The Clerk-Treasurer will maintain a list of financial institutions authorized to provide investment services.

During 2006 and 2007, the Village Fiscal Officer did not monitor the contents of their investment portfolio; did not establish and maintain an internal control structure; did not establish a process for an annual review by an external auditor; did not prepare any investment reports; and did not maintain a list of financial institutions authorized to provide investment services. We recommend that the Village familiarize themselves with their policy to ensure that they are in compliance with their policy and the Ohio Revised Code.

FINDING NUMBER 2007-027

Noncompliance / Significant Deficiency

Debt Covenants/Disclosure

First Mortgage Waterworks System Revenue Refunding Bonds states the requirement that "Net Income Available for Debt Service at least equal to one hundred ten percent (110%) of the maximum amount of principal and interest debt service requirement necessary in any succeeding year to meet interest and principal maturities of all bonds secured by revenues of the system". In 2006 and 2007, the Village had negative net income of \$60,878 and \$25,553, respectively, which would not cover the succeeding years principal and interest payments as the covenant requires.

The bond covenants also states that water rates are to be viewed annually not later than thirty (30) days after the close of the fiscal year and if for any reason the rates have proved insufficient to cover the above requirements, then the Mayor is hereby authorized and directed to commission a rate study, within three months of the date of review of the water rates, by a nationally recognized firm or certified public accountants familiar with water systems or a recognized independent engineer familiar with public water systems and the Village agrees to comply with the recommendations made in such rate study.

No documentation was found to determine water rates were reviewed annually as required above. The Village water rates were the same as prior year for 2006, 2007 and until June 30, 2008, however, they were not adequate to cover all expense, including debt payments. Rates increased as of July 1, 2008, in order for the Village to sufficiently to cover the above requirements. Violations of debt covenant could result in debt being due and payable immediately. We recommend a review of the debt covenants and procedures established to ensure compliance with the various covenants.

**FINDING NUMBER 2007-027
(Continued)**

SEC Rule 15c2-12 and Auditor of State Bulletin 95-018* states that “underwriters contracting subsequent to July 3, 1995 to issue municipal securities (bonds, notes, or other secured debt instruments issued by any state or local government regardless of whether the government is a municipality) will be subject to the amended disclosure requirements of the Rule. The issuer and/or obligated persons (i.e. entities directly or contingently responsible for repaying the securities) must agree in writing, to provide to all approved Nationally Recognized Municipal Security Information Repositories (NRMSIRs) and the State Information Depository (SID).”

The Village did not file the required disclosures per Disclosure USA website for 2006 and 2007 and SID website for 2006.

FINDING NUMBER 2007-028

Noncompliance Citation

Levy Revenues

Ohio Rev. Code, Section 5705.19(A), states, in pertinent part, that the taxing authority of any subdivision at any time and in any year, by vote of two-thirds of all the members of the taxing authority, may declare by resolution and certify the resolution to the board of elections not less than seventy-five days before the election upon which it will be voted that the amount of taxes that may be raised within the ten-mill limitation will be insufficient to provide for the necessary requirements of the subdivision and that it is necessary to levy a tax in excess of that limitation for any of the following purposes: for current expenses of the subdivision.

Ohio Rev. Code, Section 5705.10(A), states that all revenue derived from any general levy for current expense authorized by vote in excess of the ten-mill limitation, shall be paid into the general fund.

The Village of Bethel intended to replace an existing tax levy for the Grant Memorial and Burke Park. However, instead of issuing a special levy for that purpose, the Village proposed a tax levy under R.C. 5705.19(A) for “current expenses.” When a tax is proposed to be levied under Section 5705.19 (A), Revised Code, the term ‘current expenses’ must appear on the ballot, and additional words suggesting a limitation within the category of current expenses may not be added to the ballot. A levy under R.C. 5705.19(A) must be available for all current expenses of a subdivision and may not be restricted by ballot language to particular uses. See Ohio Att’y Gen. Op. No. 2007-002 *citing* Ohio Att’y Gen. Op. No. 90-069. Special levies may, however, be restricted by resolution and ballot language to particular uses. “

The Village approved Resolution No. 824 on January 24, 2005, declaring the necessity of the levy included the purpose of the levy as for the Grant Memorial Building and Burke Park under R.C. 5705.19(A). The ballot language stated the tax was for “current expenses.”

As stated above, a levy under R.C. 5705.19(A) must be available for all current expenses of a subdivision and may not be restricted to particular uses. Further, R.C. 5705.10(A) dictates that all revenue derived from any general levy for current expense authorized by vote in excess of the ten-mill limitation, shall be paid into the general fund. Accordingly, the Village of Bethel levy revenue was required to be placed in the general fund. As general fund monies may be used for any purpose for which the funds are lawfully appropriated, any levy monies expended for the Grant Memorial Building and Burke Park would be permissible. However, there is no authority to place these monies in the restricted funds without following applicable transfer statutes.

**FINDING NUMBER 2007-027
(Continued)**

As a result of this issue, all tax levy monies, as well as related homestead and rollback monies, received during the audit period in both the Grant Memorial and Burke Park funds, will be moved to the General Fund. In addition, expenditures equal to revenues, will also be moved from the Grant Memorial and Burke Park funds, to the General Fund. In addition, expenditures equal to revenues, will also be moved from the Grant Memorial and Burke Park funds, to the General Fund. All audit adjustments have been made by the Village to the financial statements and accounting records.

We recommend all tax levy and related monies for current operating expenses be posted to the General Fund as required by statute. Monies may be transferred, according to applicable statutes, from the General Fund after initial posting of monies.

Officials' Response to All Findings Listed Above:

The Village Administrator and the Fiscal Officer responsible for the audit periods of 2006-2007, as well as the first quarter of 2008, were both replaced in March and May of 2008. The Administrator and Fiscal Officer appointed in March and May of 2008, respectively, brought local government experience, and the Village is confident the next audit will result in fewer comments and findings.

The Village's electronic accounting records were converted to the Uniform Accounting Network system in September, 2009, and several of the controls and policies suggested in the audit were implemented prior to the report's release to ensure the Village's future compliance.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Finding for Recovery Repaid Under Audit – Former Administrator Mike Shiverski was overpaid for medical expenses, college tuition, and vision expenses.	Yes	
2005-002	Finding for Recovery – Former Fiscal Officer Clarissa McCoy was overpaid for medical expenses and personal legal expenses.	No	Finding has not been repaid to date
2005-003	ORC 117.38 – filing an inaccurate financial report.	No	Repeated as Finding 2007-019
2005-004	ORC 733.28 – Village’s books were not an accurate statement of all moneys received and expended, nor were they properly classified.	No	Repeated as Finding 2007-008
2005-005	ORC 135.14(O)(1) – Village did not follow their own investment policy	No	Repeated as Finding 2007-020
2005-006	ORC 5705.10(H) – negative fund balances	No	Repeated as Finding 2007-015
2005-007	ORC 5705.41(D)(1) – invoice dates preceding purchase order dates	No	Repeated as Finding 2007-011



Mary Taylor, CPA
Auditor of State

VILLAGE OF BETHEL

CLERMONT 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
FEBRUARY 18, 2010