

**VILLAGE OF BETHEL
CLERMONT COUNTY, OHIO**

***FINANCIAL STATEMENTS
(AUDITED)***

FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015

BILL GILPIN, FISCAL OFFICER



Dave Yost • Auditor of State

Village Council
Village of Bethel
120 North Main Street
Bethel, Ohio 45106

We have reviewed the *Independent Auditor's Report* of the Village of Bethel, Clermont County, prepared by Julian & Grube, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

September 11, 2017

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**VILLAGE OF BETHEL
CLERMONT COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and the discretely presented component unit and related notes of the Village of Bethel, Clermont County, Ohio, as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village of Bethel prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village of Bethel does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Bethel as of December 31, 2016 and 2015, or changes in the financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and the discretely presented component unit of the Village of Bethel, Clermont County, Ohio, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2017, on our consideration of the Village of Bethel's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Bethel's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 23, 2017

**VILLAGE OF BETHEL
CLERMONT COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Governmental Fund Types			Total (Memorandum Only)	Component Unit Burke Trust
	General	Special Revenue	Capital Projects		
Cash receipts:					
Property and Other Local Taxes	\$ 152,563	\$ 106,927	\$ -	\$ 259,490	\$ -
Municipal Income Tax	136,050	-	-	136,050	-
Intergovernmental	89,031	119,908	275,709	484,648	-
Charges for Services	157,876	2,150	-	160,026	-
Fines, Licenses and Permits	114,951	8,294	-	123,245	-
Interest	20,096	1,199	-	21,295	42,807
Miscellaneous	1,158	7,707	-	8,865	-
Total cash receipts	<u>671,725</u>	<u>246,185</u>	<u>275,709</u>	<u>1,193,619</u>	<u>42,807</u>
Cash disbursements:					
Current:					
Security of Persons and Property	323,221	138,342	-	461,563	-
Public Health Services	5,447	-	-	5,447	-
Leisure Time Activities	6,413	10,246	-	16,659	-
Community Environment	10,617	-	-	10,617	-
Transportation	-	134,053	-	134,053	-
General Government	118,731	21,317	-	140,048	-
Capital Outlay	-	-	444,205	444,205	-
Other - Scholarship and Grants	-	-	-	-	21,400
Total cash disbursements	<u>464,429</u>	<u>303,958</u>	<u>444,205</u>	<u>1,212,592</u>	<u>21,400</u>
Excess of receipts over (under) disbursements	<u>207,296</u>	<u>(57,773)</u>	<u>(168,496)</u>	<u>(18,973)</u>	<u>21,407</u>
Other Financing Receipts (Disbursements):					
Other Debt Proceeds	-	-	168,483	168,483	-
Transfers In	-	173,607	-	173,607	-
Other Financing Sources	-	-	-	-	4,810
Other Financing Sources - Gain on Sale of Investment	-	-	-	-	92,718
Other Financing Sources - Capital Gain on Fixed Income Mutual Funds	-	-	-	-	4,221
Transfers Out	(173,607)	-	-	(173,607)	-
Other Financing Uses	-	(460)	-	(460)	-
Other Financing Uses - Loss on Sale of Investment	-	-	-	-	(83,495)
Other Financing Uses - Trust Funds Administrative Fees	-	-	-	-	(14,263)
Other Financing Uses - Capital Loss on Fixed Income Mutual Funds	-	-	-	-	(7,166)
Total Other Financing Receipts (Disbursements)	<u>(173,607)</u>	<u>173,147</u>	<u>168,483</u>	<u>168,023</u>	<u>(3,175)</u>
Net change in fund cash balances	33,689	115,374	(13)	149,050	18,232
Fund cash balances, January 1, 2016	<u>457,377</u>	<u>273,385</u>	<u>13</u>	<u>730,775</u>	<u>1,425,476</u>
Fund cash balances:					
Restricted	-	388,759	-	388,759	-
Unassigned (Deficit)	491,066	-	-	491,066	-
Fund cash balances, December 31, 2016	<u>\$ 491,066</u>	<u>\$ 388,759</u>	<u>\$ -</u>	<u>\$ 879,825</u>	<u>\$ 1,443,708</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF BETHEL
CLERMONT COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Private Purpose Trust	
Operating cash receipts:			
Charges for Services	\$ 3,689,458	\$ -	\$ 3,689,458
Fines, Licenses and Permits	854	-	854
Other miscellaneous	12,517	-	12,517
Total operating cash receipts	<u>3,702,829</u>	<u>-</u>	<u>3,702,829</u>
Operating cash disbursements:			
Personal Services	510,855	-	510,855
Employee Fringe Benefits	254,848	-	254,848
Contractual Services	2,572,841	-	2,572,841
Supplies and Materials	80,523	-	80,523
Miscellaneous	483,556	-	483,556
Total operating cash disbursements	<u>3,902,623</u>	<u>-</u>	<u>3,902,623</u>
Operating income (loss)	<u>(199,794)</u>	<u>-</u>	<u>(199,794)</u>
Nonoperating cash receipts/(disbursements):			
Property and other local taxes	100,890	-	100,890
Intergovernmental	10,528	-	10,528
Miscellaneous receipts	-	21,400	21,400
Capital Outlay	(43,324)	-	(43,324)
Principal retirement	(61,168)	-	(61,168)
Interest and other fiscal charges	(20,084)	-	(20,084)
Other financing disbursements	-	(30,478)	(30,478)
Total nonoperating cash receipts/(disbursements)	<u>(13,158)</u>	<u>(9,078)</u>	<u>(22,236)</u>
Income (Loss) before Transfers	<u>(212,952)</u>	<u>(9,078)</u>	<u>(222,030)</u>
Transfers in	435,720	-	435,720
Transfers out	<u>(435,720)</u>	<u>-</u>	<u>(435,720)</u>
Net change in fund cash balances	(212,952)	(9,078)	(222,030)
Fund cash balances, January 1, 2016	<u>2,282,347</u>	<u>22,754</u>	<u>2,305,101</u>
Fund cash balances, December 31, 2016	<u>\$ 2,069,395</u>	<u>\$ 13,676</u>	<u>\$ 2,083,071</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF BETHEL
CLERMONT COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Governmental Fund Types			Total (Memorandum Only)	Component Unit Burke Trust
	General	Special Revenue	Capital Projects		
Cash receipts:					
Property and Other Local Taxes	\$ 157,087	\$ 185,845	\$ -	\$ 342,932	\$ -
Intergovernmental	94,576	129,953	657,920	882,449	-
Charges for Services	156,602	3,155	-	159,757	-
Fines, Licenses and Permits	73,940	4,963	-	78,903	-
Interest	15,072	950	-	16,022	51,443
Miscellaneous	2,575	30,902	-	33,477	-
Total cash receipts	<u>499,852</u>	<u>355,768</u>	<u>657,920</u>	<u>1,513,540</u>	<u>51,443</u>
Cash disbursements:					
Current:					
Security of Persons and Property	313,887	96,389	-	410,276	-
Public Health Services	5,808	-	-	5,808	-
Leisure Time Activities	3,801	3,981	-	7,782	-
Community Environment	10,620	-	-	10,620	-
Transportation	-	252,419	-	252,419	-
General Government	106,412	24,273	-	130,685	-
Capital Outlay	-	-	1,259,354	1,259,354	-
Other - Scholarship and Grants	-	-	-	-	41,000
Total cash disbursements	<u>440,528</u>	<u>377,062</u>	<u>1,259,354</u>	<u>2,076,944</u>	<u>41,000</u>
Excess of receipts over (under) disbursements	<u>59,324</u>	<u>(21,294)</u>	<u>(601,434)</u>	<u>(563,404)</u>	<u>10,443</u>
Other Financing Receipts (Disbursements):					
Other Debt Proceeds	-	-	601,447	601,447	-
Proceeds from sale of assets	-	3,045	-	3,045	-
Other Financing Sources	-	-	-	-	6,990
Other Financing Sources - Gain on Sale of Investment	-	-	-	-	106,891
Other Financing Sources - Capital Gain on Fixed Income Mutual Funds	-	-	-	-	10,811
Other Financing Uses	-	(322)	-	(322)	-
Other Financing Uses - Loss on Sale of Investment	-	-	-	-	(107,981)
Other Financing Uses - Trust Funds Administrative Fees	-	-	-	-	(14,396)
Other Financing Uses - Capital Loss on Fixed Income Mutual Funds	-	-	-	-	(14,746)
Total Other Financing Receipts (Disbursements)	<u>-</u>	<u>2,723</u>	<u>601,447</u>	<u>604,170</u>	<u>(12,431)</u>
Net change in fund cash balances	59,324	(18,571)	13	40,766	(1,988)
Fund cash balances, January 1, 2015	<u>398,053</u>	<u>291,956</u>	<u>0</u>	<u>690,009</u>	<u>1,427,464</u>
Fund cash balances:					
Restricted	-	272,925	13	272,938	-
Committed	-	460	-	460	-
Unassigned (Deficit)	457,377	-	-	457,377	-
Fund cash balances, December 31, 2015	<u>\$ 457,377</u>	<u>\$ 273,385</u>	<u>\$ 13</u>	<u>\$ 730,775</u>	<u>\$ 1,425,476</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF BETHEL
CLERMONT COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Private Purpose Trust	
Operating cash receipts:			
Charges for Services	\$ 3,773,753	\$ -	\$ 3,773,753
Fines, Licenses and Permits	857	-	857
Other miscellaneous	3,945	-	3,945
Total operating cash receipts	<u>3,778,555</u>	<u>-</u>	<u>3,778,555</u>
Operating cash disbursements:			
Personal Services	529,624	-	529,624
Employee Fringe Benefits	245,807	-	245,807
Contractual Services	2,574,724	-	2,574,724
Supplies and Materials	83,734	-	83,734
Miscellaneous	445,143	-	445,143
Total operating cash disbursements	<u>3,879,032</u>	<u>-</u>	<u>3,879,032</u>
Operating income (loss)	<u>(100,477)</u>	<u>-</u>	<u>(100,477)</u>
Nonoperating cash receipts/(disbursements):			
Property and other local taxes	101,132	-	101,132
Intergovernmental	106,877	-	106,877
Sale of fixed assets	10,666	-	10,666
Miscellaneous receipts	-	41,000	41,000
Capital Outlay	(115,843)	-	(115,843)
Principal retirement	(120,973)	-	(120,973)
Interest and other fiscal charges	(41,531)	-	(41,531)
Other financing disbursements	-	(40,298)	(40,298)
Total nonoperating cash receipts/(disbursements)	<u>(59,672)</u>	<u>702</u>	<u>(58,970)</u>
Income (Loss) before Transfers	<u>(160,149)</u>	<u>702</u>	<u>(159,447)</u>
Transfers in	423,720	-	423,720
Transfers out	<u>(423,720)</u>	<u>-</u>	<u>(423,720)</u>
Net change in fund cash balances	(160,149)	702	(159,447)
Fund cash balances, January 1, 2015	<u>2,442,496</u>	<u>22,052</u>	<u>2,464,548</u>
Fund cash balances, December 31, 2015	<u>\$ 2,282,347</u>	<u>\$ 22,754</u>	<u>\$ 2,305,101</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Village of Bethel, Ohio
Clermont County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 1 - Reporting Entity

The Village of Bethel (the Village), Clermont County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, garbage and electric utilities, park operations, and police services. The Village contracts with Tate Township to provide fire protection service. The Edmund G. Burke Community Trust is a discretely presented component unit of the Village of Bethel (See Note 13).

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Police Operating Fund – This fund receives monies transferred from the general fund for Village police protection.

Capital Projects Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditures or capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Funds:

Police Cruiser Fund - This fund receives funding from various sources and is used to account for the purchase of police cruisers.

Village of Bethel, Ohio
Clermont County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

OPWC Plane Street Improvements Fund - This fund receives grant funding from the Ohio Public Works Commission for the purpose of major improvements to Plane Street.

OWDA Water System Improvements Fund – This fund receives loan funding from the Ohio Water Development Administration for the purpose of replacing water mains and a new water tower.

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 Funds:

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

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

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

Water Infrastructure Replacement Fund – This fund receives monies from the water operating fund that is used to service principal and interest payments for the OWDA loan.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village’s own programs.

The Village’s private purpose trust fund is for the benefit of scholarship recipients.

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.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Bethel, Ohio
Clermont County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Budgetary Process

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

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.

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 approve estimated resources.

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

A summary of 2016 and 2015 budgetary activity appears in Note 4.

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 donated common stock, preferred stock, fixed income equity securities and mutual funds at cost. Money market mutual funds (including Star Ohio) are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Village of Bethel, Ohio
Clermont County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Transactions

During the course of normal operations, the Village had transactions between funds. The most significant include transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the necessary fund and are recorded as operating transfers. Residual equity transfers are nonrecurring or non-routine transfers of equity between funds.

Note 3 - Compliance

There were no known budgetary violations in 2016 or 2015.

Note 4 - Budgetary Activity

Budgetary activity for the years ending 2016 and 2015 follows:

Village of Bethel, Ohio
Clermont County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$670,179	\$671,725	\$1,546
Special Revenue	414,779	419,793	5,014
Capital Projects	444,193	444,193	0
Enterprise	4,244,372	4,249,966	5,594
Private Purpose Trust	21,400	21,400	0
Total	<u>\$5,794,923</u>	<u>\$5,807,077</u>	<u>\$12,154</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$716,535	\$641,518	\$75,017
Special Revenue	416,656	304,867	111,789
Capital Projects	444,206	444,206	0
Enterprise	5,084,470	4,468,505	615,965
Private Purpose Trust	44,154	30,478	13,676
Total	<u>\$6,706,021</u>	<u>\$5,889,574</u>	<u>\$816,447</u>

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$490,194	\$499,853	\$9,659
Special Revenue	353,788	358,814	5,026
Capital Projects	1,259,367	1,259,367	0
Enterprise	4,412,743	4,420,949	8,206
Private Purpose Trust	41,000	41,000	0
Total	<u>\$6,557,092</u>	<u>\$6,579,983</u>	<u>\$22,891</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$563,657	\$451,350	\$112,307
Special Revenue	449,386	378,057	71,329
Capital Projects	1,259,368	1,259,354	14
Enterprise	5,131,799	4,586,726	545,073
Private Purpose Trust	63,000	40,298	22,702
Total	<u>\$7,467,210</u>	<u>\$6,715,785</u>	<u>\$751,425</u>

Village of Bethel, Ohio
Clermont County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 5 – 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, 2016 and 2015 was as follows:

	2016	2015
Demand deposits	\$1,747,856	\$1,823,330
Total deposits	1,747,856	1,823,330
Certificates of deposit	1,208,056	1,205,599
STAR Ohio	6,984	6,947
Total investments	1,215,040	1,212,546
Total deposits and investments	\$2,962,896	\$3,035,876

Component Unit – Equity in Pool Deposits and Investments

	2016	2015
Mutual Funds	\$ 336,910	\$ 354,722
Fixed Income Equity Securities	673,143	652,748
Money Market Mutual Funds	49,156	44,683
Common Stock	384,499	373,323
Total Investments	\$1,443,708	\$1,425,476

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 mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 6 – Taxes

Property Taxes

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.

Village of Bethel, Ohio
Clermont County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

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

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

Income Taxes

The Village levies a municipal income tax of 0.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village through the Regional Income Tax Agency either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Interfund Balances

Advances

No interfund advances were made in 2016.

Note 8 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (the “OPRM”) formerly known as the Ohio Government Risk Management Plan (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (the “Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its Members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each Member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the Member’s exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012, the Plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan’s property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from Member to Member. OPRM had 772 and 783 Members as of December 31, 2015 and 2014, respectively.

Plan Members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a Member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former Member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Village of Bethel, Ohio
Clermont County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014

	2015	2014
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	\$5,531,637	\$5,887,681

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postemployment healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 11.50% of their wages from January 1, 2015 through July 1, 2015 and 12.25% of their wages from July 2, 2015 through December 31, 2016. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages from January 1, 2015 through December 31, 2016. The Village has paid all contributions required through December 31, 2016.

Note 10 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Village of Bethel, Ohio
Clermont County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 11 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$2,486,237	1.50%
Total	\$2,486,237	

The Ohio Water Development Authority (OWDA) Water System Improvements Loan is for various upgrades to the Village’s water system.

The Village established a fund to service the OWDA loan. The balance in the Water Infrastructure Replacement Fund at December 31, 2016 is \$164,244.

Amortization

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

Year ending	
December 31:	OWDA Loan
2017	\$77,545
2018	155,090
2019	155,090
2020	155,090
2021	155,090
2022 - 2026	775,450
2027 - 2031	775,450
2032 - 2035	542,815
Total	\$2,791,620

Note 12 – Public Entity Risk Pool

The Village participates in the Compmanagement group rating program (GRP) for worker’s compensation. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 13 – Discretely Presented Component Unit

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.

Village of Bethel, Ohio
Clermont County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

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.

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.

Village of Bethel, Ohio
Clermont County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

NOTE 14 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the Village's operating transfers for 2016 and 2015:

<u>2016</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund</u>	\$ -	\$ 173,607
 <u>Special Revenue Funds:</u>		
Police Operating Fund	173,607	-
 <u>Enterprise Funds:</u>		
Water Operating	-	291,720
Electric Operating	-	144,000
Water Enterprise Improvement Fund	135,720	-
Electric Enterprise Improvement Fund	144,000	-
Water Infrastructure Replacement	156,000	-
Total Enterprise Funds	<u>435,720</u>	<u>435,720</u>
Total All Funds	<u>\$ 609,327</u>	<u>\$ 609,327</u>
 <u>2015</u>		
<u>Enterprise Funds:</u>		
Water Operating	\$ -	\$ 279,720
Electric Operating	-	144,000
Water Enterprise Improvement Fund	135,720	-
Electric Enterprise Improvement Fund	144,000	-
Water Infrastructure Replacement	144,000	-
Total Enterprise Funds	<u>\$ 423,720</u>	<u>\$ 423,720</u>

All transfers made in 2016 and 2015 were in accordance with Ohio Revised Code Section 5705.14, 5705.15 and 5705.16.

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**Independent Auditor's Report on Internal Controls 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type and the discretely presented component unit of the Village of Bethel, Clermont County, Ohio, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 23, 2017, wherein we noted the Village of Bethel followed financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness. We consider finding 2016-001 to be a material weakness.

Village Council
Village of Bethel

Compliance and Other Matters

As part of reasonably assuring whether the Village of Bethel's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village of Bethel's Response to Finding

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

Purpose of this Report

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



Julian & Grube, Inc.
June 23, 2017

**VILLAGE OF BETHEL
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2016-001

Material Weakness - Financial Statement Presentation:

Accurate financial reporting is required in order to provide management and citizens with objective and timely information to enable well-informed decisions.

Numerous adjustments were made to the financial statements and notes to the financial statements for the years ended December 31, 2016 and 2015 to properly state financial statement amounts.

The audited financial statements and Village records have been adjusted for the misstatements identified during the audit.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Village consult with their auditors, the Village Handbook, the Auditor of State and/or Ohio Municipal League to help ensure accurate financial reporting.

Client Response: The Fiscal Officer will work to provide a sound fiscal environment for the Village and has implemented additional policies and procedures to help with financial statement presentation.

**VILLAGE OF BETHEL
CLERMONT COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid</u>
2014-001	<u>Material Weakness - Financial Reporting</u> - A critical part of financial reporting is to maintain internal controls to help ensure the proper reporting of financial statement amounts. We identified misstatements in the financial statements for the years under audit that were not initially identified by the Village's internal control. The Village had the following audit adjustments necessary to properly record activity in 2014. Increase intergovernmental receipts and increase capital outlay disbursements in 2014 in the amount of \$130,318 to properly reflect on behalf payments made by the Ohio Public Works Commission. Increase proceeds of notes receipts and capital outlay disbursements in 2014 in the amount of \$1,642,518 to properly reflect on behalf payments made by the Ohio Water Development Authority. Increase capital outlay disbursements and decrease other debt service disbursements in 2014 in the amount of \$249,545 to properly reflect on behalf payments made by the Ohio Water Development Authority.	No	Repeated as 2016-001



Dave Yost • 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
SEPTEMBER 26, 2017