



Mary Taylor, CPA
Auditor of State

VILLAGE BETHEL
CLERMONT COUNTY

TABLE OF CONTENTS

| TITLE | PAGE |
|--|------|
| Cover Letter | 1 |
| Independent Accountants' Report..... | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004 | 5 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2004 | 6 |
| Notes to the Financial Statements | 7 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 19 |
| Schedule of Findings..... | 21 |

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

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

To the Village 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

Mary Taylor, CPA
Auditor of State

February 20, 2009

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

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

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

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

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 year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows, where applicable for the years then ended.

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

As described in Note 2 the Village has restated January 1, 2004 fund balances in the Special Revenue, Permanent, and Agency Fund Types to properly classify funds previously reported as Expendable and Nonexpendable Trust Funds.

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 February 20, 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

February 20, 2009

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | Governmental Fund Types | | | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|--------------------|---|
| | General | Special Revenue | Debt Service | Capital Projects | Permanent | |
| Cash Receipts: | | | | | | |
| Property and Local Taxes | \$144,413 | \$116,284 | \$0 | \$0 | \$0 | \$260,697 |
| Intergovernmental | 170,752 | 93,207 | | | | 263,959 |
| Special Assessments | | | 26,766 | | | 26,766 |
| Charges for Services | 180 | 8,770 | | | | 8,950 |
| Fines, Licenses and Permits | 45,468 | 5,251 | | | | 50,719 |
| Earnings on Investments | 25,857 | | | | 71,667 | 97,524 |
| Miscellaneous | 64,162 | 3,030 | 1,500 | 7,252 | | 75,944 |
| Total Cash Receipts | 450,832 | 226,542 | 28,266 | 7,252 | 71,667 | 784,559 |
| Cash Disbursements: | | | | | | |
| Current: | | | | | | |
| Security of Persons and Property | 233,114 | 73,847 | | | | 306,961 |
| Public Health Services | 5,843 | | | | | 5,843 |
| Leisure Time Activities | 3,951 | 13,157 | | | | 17,108 |
| Community Environment | 4,739 | 749 | | | | 5,488 |
| Transportation | 43,681 | 121,943 | | | | 165,624 |
| General Government | 366,548 | 35,729 | | | | 402,277 |
| Other - Scholarship | | | | | 18,877 | 18,877 |
| Debt Service: | | | | | | |
| Redemption of Principal | | | 55,000 | | | 55,000 |
| Interest and Fiscal Charges | | | 6,370 | | | 6,370 |
| Capital Outlay | | | | 42,551 | | 42,551 |
| Total Cash Disbursements | 657,876 | 245,425 | 61,370 | 42,551 | 18,877 | 1,026,099 |
| Total Receipts Over/(Under) Disbursements | (207,044) | (18,883) | (33,104) | (35,299) | 52,790 | (241,540) |
| Other Financing Receipts / (Disbursements): | | | | | | |
| Proceeds from Sale of Public Debt: | | | | | | |
| Sale of Bonds | | | 15,000 | | | 15,000 |
| Sale of Fixed Assets | 90,000 | | | | | 90,000 |
| Transfers-In | | 16,583 | 16,500 | 34,500 | | 67,583 |
| Transfers-Out | (29,583) | | | | (18,500) | (48,083) |
| Advances-Out | | | (1,500) | | | (1,500) |
| Total Other Financing Receipts / (Disbursements) | 60,417 | 16,583 | 30,000 | 34,500 | (18,500) | 123,000 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (146,627) | (2,300) | (3,104) | (799) | 34,290 | (118,540) |
| Fund Cash Balances, January 1 (as restated) | 408,759 | 85,762 | (389) | 92,398 | 1,148,735 | 1,735,265 |
| Fund Cash Balances, December 31 | \$262,132 | \$83,462 | (\$3,493) | \$91,599 | \$1,183,025 | \$1,616,725 |

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

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | <u>Proprietary Fund Types</u> | <u>Fiduciary Fund Types</u> | <u>Totals (Memorandum Only)</u> |
|--|-----------------------------------|---------------------------------|---|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$3,112,552 | \$0 | \$3,112,552 |
| Fines, Licenses and Permits | 5,029 | | 5,029 |
| Miscellaneous | 5,282 | | 5,282 |
| Total Operating Cash Receipts | <u>3,122,863</u> | <u>0</u> | <u>3,122,863</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 706,818 | | 706,818 |
| Employee Fringe Benefits | 0 | | 0 |
| Contractual Services | 1,414,829 | | 1,414,829 |
| Supplies and Materials | 329,625 | | 329,625 |
| Total Operating Cash Disbursements | <u>2,451,272</u> | <u>0</u> | <u>2,451,272</u> |
| Operating Income/(Loss) | <u>671,591</u> | <u>0</u> | <u>671,591</u> |
| Non-Operating Cash Receipts: | | | |
| Other Non-Operating Cash Receipts | | 384,265 | 384,265 |
| Total Non-Operating Cash Receipts | <u>0</u> | <u>384,265</u> | <u>384,265</u> |
| Non-Operating Cash Disbursements: | | | |
| Capital Outlay | | | 0 |
| Redemption of Principal | 101,512 | | 101,512 |
| Interest and Other Fiscal Charges | | | 0 |
| Other Non-Operating Cash Disbursements | 183,002 | 384,265 | 567,267 |
| Total Non-Operating Cash Disbursements | <u>284,514</u> | <u>384,265</u> | <u>668,779</u> |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | 387,077 | 0 | 387,077 |
| Transfers-In | 141,812 | | 141,812 |
| Transfers-Out | (161,312) | | (161,312) |
| Net Receipts Over/(Under) Disbursements | 367,577 | 0 | 367,577 |
| Fund Cash Balances, January 1 (as restated) | <u>547,863</u> | <u>2,939</u> | <u>550,802</u> |
| Fund Cash Balances, December 31 | <u>\$915,440</u> | <u>\$2,939</u> | <u>\$918,379</u> |

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, 2004**

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).

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

C. Cash 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 U.S. Treasury Notes, equity securities, common stock, 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 cash 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, 2004
(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 Fund:

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

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 Funds:

Sidewalk Debt Fund – This fund receives special assessment money to fund the principal and interest payments of the Sidewalk Special Assessment Bonds.

Pavilion Debt Fund – This fund receives proceeds from the sale of notes and transfers from the Burke Donation Fund to fund the principal and interest payments Park Pavilion note.

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 funds:

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

Issue 2 / Water Tower Fund – This fund received Issue 2 funding from the Ohio Public Works Commission. The funding is for the construction project of the water tower.

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. The earnings of the Burke Trust fund were transferred to the Burke Donation, Pavilion Debt, and General funds during 2004. The money used to provide scholarships for worthy and/or needy students were expensed in the permanent fund.

VILLAGE OF BETHEL
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(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 Funds:

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

7. **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.

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 their mayor's court 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. Appropriations lapse at year end.

2. **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 2004 budgetary activity appears in Note 3.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(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. Restatement of Fund Balance

The fund balance of Special Revenue, Expendable Trust, Non-Expendable Trust, and Agency funds were restated from amounts previously reported. The restatements were for those reasons stated below and resulted in changes to balances reported at January 1, 2004 as follows:

| | <u>Special Revenue</u> | <u>Permanent</u> | <u>Expendable Trust</u> | <u>Non-Expendable Trust</u> | <u>Agency</u> |
|------------|----------------------------|--------------------|-----------------------------|---------------------------------|----------------|
| A - | \$82,673 | \$0 | \$26,269 | \$1,128,494 | \$0 |
| B - | 3,089 | - | (3,089) | - | - |
| C - | - | 20,241 | (20,241) | - | - |
| D - | - | - | (2,939) | - | 2,939 |
| E - | <u>-</u> | <u>1,128,494</u> | <u>-</u> | <u>(1,128,494)</u> | <u>-</u> |
| F - | <u>\$85,762</u> | <u>\$1,148,735</u> | <u>\$0</u> | <u>\$0</u> | <u>\$2,939</u> |

A – Fund balance at January 1, 2004.

B – The Police Pension fund and Burke Donation fund were reclassified from expendable trust to Special Revenue fund since there was no binding trust agreement.

C – The Scholarship fund was reclassified from an expendable trust to the permanent fund.

D – The Unclaimed Money fund was reclassified from an expendable trust to an agency fund.

E – The Burke Trust fund was reclassified from a non-expendable trust to the permanent fund.

F – Fund balance at January 1, 2004 as restated.

VILLAGE OF BETHEL
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

3. Equity in Pooled Cash and Investments

The Village maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2004 was as follows:

| | |
|--------------------------------|--------------------|
| | <u>2004</u> |
| Demand deposits | \$610,229 |
| Certificates of deposit | 394,000 |
| Total deposits | <u>1,004,229</u> |
| STAR Ohio | 363,990 |
| Mutual Funds | 80,494 |
| Common Stock | 513,073 |
| Fixed Income Equity Securities | 584,640 |
| Total investments | <u>1,542,197</u> |
| Total deposits and investments | <u>\$2,546,426</u> |

At December 31, 2004 the Village did not fully reconcile its accounts with the bank resulting in the variance between the financial statement ending balances and the carrying amount of deposits and investments presented above. Errors in postings activity to the books and in the reconciliations resulted in an unreconciled bank balance that is greater than an unreconciled book balance by \$11,322.

At December 31, 2004, the Village held \$394,000 in certificates of deposit that were purchased from banks that were not domiciled in Ohio and that did not have an office in Ohio. Ohio Revised Code 135.03 prohibits purchasing certificates of deposit from a bank unless the certificate of deposit is subject to inspection by the Ohio Superintendent of Financial Institutions. Because the Superintendent inspects only banks domiciled in Ohio, purchasing certificates of deposit from out-of-state banks is illegal, unless the bank has an office in Ohio.

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form. Common Stocks, Fixed Income Equity Securities, and \$67,294 of the 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, 2004 was \$1,353,771.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2004 follows:

| 2004 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$672,757 | \$540,832 | (\$131,925) |
| Special Revenue | 237,187 | 243,125 | 5,938 |
| Debt Service | 59,667 | 59,766 | 99 |
| Capital Projects | 41,750 | 41,752 | 2 |
| Enterprise | 3,224,302 | 3,264,675 | 40,373 |
| Total | <u>\$4,235,663</u> | <u>\$4,150,150</u> | <u>(\$85,513)</u> |

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|--------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,116,758 | \$687,459 | \$429,299 |
| Special Revenue | 331,447 | 245,425 | 86,022 |
| Debt Service | 81,864 | 62,870 | 18,994 |
| Capital Projects | 125,461 | 42,551 | 82,910 |
| Enterprise | 3,868,034 | 2,897,098 | 970,936 |
| Total | <u>\$5,523,564</u> | <u>\$3,935,403</u> | <u>\$1,588,161</u> |

Contrary to Ohio Law, appropriations exceeded estimated revenues in the following funds:

| Fund | Appropriations in Excess of Estimated Resources |
|---|--|
| General | \$(27,243) |
| Drug Law Enforcement | (467) |
| Law Enforcement | (450) |
| Police Communications | (600) |
| Permissive Tax | (600) |
| Police Pension | (5,530) |
| Burke Donation | (2,500) |
| Pavilion Debt Retirement | (13,500) |
| Issue 2 / Water Tower Construction | (4,500) |
| Water Extension Replacement | (13,500) |
| Water Revenue | (75,000) |
| Garbage Revenue | (4,000) |
| Parking Meter | (1,275) |
| Water 1 st Mortgage 1998 Issue | (2,892) |

Contrary to Ohio law, at December 31, 2004, the Sidewalk Debt fund had a cash deficit balance of \$3,695.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

5. 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 personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. Debt

Debt outstanding at December 31, 2004 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--------------------------------------|------------------|----------------------|
| Water 1st Mortgage 1998 Issue | \$825,000 | 4.70% |
| Park Pavilion Bond Anticipation Note | 15,000 | 2.10% |
| Sidewalk Improvement | 90,000 | 4.125% |
| Total | <u>\$930,000</u> | |

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

The Pavilion Bond Anticipation Note funds the building of the pavilion in Burke Park. The debt is paid through a trust held by the Village for upkeep and beautification of the park.

The Sidewalk Improvement Bond funds the upkeep and maintenance of sidewalks within the Village. The debt is paid for through a special assessment on Village property.

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

| Year ending December 31: | <u>Water 1st Mortgage</u> | <u>Sidewalk Improvement</u> |
|--------------------------|-------------------------------|---------------------------------|
| 2005 | \$102,430 | \$33,713 |
| 2006 | 99,962 | 32,475 |
| 2007 | 101,579 | 31,238 |
| 2008 | 99,017 | |
| 2009 | 105,683 | |
| 2010 – 2015 | 708,267 | |
| Total | <u>\$1,216,938</u> | <u>\$97,426</u> |

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

7. 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 fund. At December 31, 2004, the custodian held \$113,508 in Village assets. The accompanying financial statements do not include these assets or the related receipts and disbursements.

8. Retirement Systems

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

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

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. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

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.

VILLAGE OF BETHEL
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

9. Risk Management (Continued)

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. 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 value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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, 2004:

| <u>Casualty Coverage</u> | <u>2004</u> |
|--------------------------|---------------------|
| Assets | \$27,437,169 |
| Liabilities | <u>(13,880,038)</u> |
| Retained earnings | <u>\$13,557,131</u> |

| <u>Property Coverage</u> | <u>2004</u> |
|--------------------------|--------------------|
| Assets | \$3,648,272 |
| Liabilities | <u>(540,073)</u> |
| Retained earnings | <u>\$3,108,199</u> |

At December 31, 2004, casualty coverage liabilities noted above include approximately \$12 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2004. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's

VILLAGE OF BETHEL
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

9. Risk Management (Continued)

share of these unpaid claims collectible in future years is approximately \$38,128. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

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> | |
|-----------------------------|----------|
| 2004 | \$43,066 |

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must 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 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 was incurred or reported prior to the withdrawal.

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.

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;

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

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

- (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. Subsequent Event

Due to the significant decline in funds available to the Village on September 22, 2008 the Village's management and Council minutes state that the Village has enacted a fiscal recovery plan. The plan includes three areas: revenue enhancement, expense reduction and adoption of best management practices. At January 31, 2009, excluding the Permanent and Agency Fund, the Village had unaudited fund balances of \$44,681 in the General, Special Revenue, Debt Service, Capital Project, and Enterprise funds. At December 31, 2004 the fund balances for these funds totaled \$1,367,158 of the \$2,535,104 reported on the accompanying financial statements.

This page intentionally left blank.



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 year ended December 31, 2004, and have issued our report thereon dated February 20, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village restated January 1, 2004 fund balances in the Special Revenue, Permanent, and Agency Fund Types to properly classify funds previously reported as Expendable and Nonexpendable Trust Funds. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Villages ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 through 2004-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2004-001 listed above to be a material weakness. In a separate letter to the Village's management dated February 20, 2009, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-004. In a separate letter to the Village's management dated February 20, 2009, we reported other matters related to noncompliance we deemed material.

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

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 20, 2009

VILLAGE OF BETHEL
CLERMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004

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

FINDING NUMBER 2004-001

Noncompliance/Material Weakness

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.

Accounting systems and accounting records should be maintained 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. The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements.

The Village Clerk-Treasurer did not prepare accurate cash reconciliations of the general account during 2004. The following issues were noted from review of the Village's financial records and bank statements and are necessary to accurately reconcile the accounting records to the bank balances at December 31, 2004. The following two adjustments are not material to the financial statements at December 31, 2004 and the financial statements do not reflect these adjustments. The Village posted these adjustments in the General Fund in 2005.

- The Village did not report the accurate amount of their certificates of deposit (CD's) on their monthly reconciliations. The Village reported \$395,010 in CD's, however, upon review it was determined that the Village should have reported \$394,000 in CD's.
- The Village did not report their money market fund account on their monthly reconciliation or in their fund balances on the accounting records or financial statements. The money market account had a balance of \$13,200 at December 31, 2004. The Village in the subsequent year is reported the money market fund account monies in their fund balances on the accounting records and financial statements.
- There is no evidence that the monthly reconciliations are reviewed upon completion.

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 Clerk-Treasurer 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.

There were several instances where receipts were not properly classified or recorded into the Village's accounting system:

- The Village posted gas tax, gasoline cents per gallon, and motor vehicle license tax revenue to fines, licenses, and permits rather than intergovernmental revenue in the Street Construction, Maintenance, and Repair fund and the State Highway fund totaling \$72,653 and \$5,891 respectively
- The Village posted revenue received for electric deregulation kilowatt-hour (kWh) tax to charges for services rather than property tax and other local taxes totaling \$93,312 in the General fund.

**FINDING NUMBER 2004-001
(Continued)**

- The Village posted revenue received for rental income to charges for services rather than miscellaneous revenue totaling \$61,500 in the General fund.
- The Village posted permissive tax revenue as fines, licenses, and permits rather than property tax and other local taxes revenue in the County Shared Permissive Tax fund and Permissive Tax fund totaling \$4,832 and \$9,665 respectively.
- The Village did not record interest earned on their STAR Ohio account totaling \$373.

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

FINDING NUMBER 2004-002

Noncompliance/Reportable Condition

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 6: A list of authorized users and dealers shall be maintained by the Clerk-Treasurer. Additions and deletions to this list shall be made when deemed in the best interest of the Village of Bethel.

Section 11: The Clerk-Treasurer shall establish and maintain an inventory of all obligations and Village of securities acquired by the Village of Bethel. The inventory shall include a description of the security, type, cost, par value, maturity date or settlement date and rate of interest. The Clerk-Treasurer shall produce a monthly portfolio report detailing a current inventory of all obligations and securities, all transactions, during the month, income received, investment expenses paid and the name of any persons effecting transactions on behalf of the Village of Bethel.

Section 12: The Investment Advisory Committee of Village Council shall meet at least once every quarter to review the portfolio in terms of security, type, risk and investment return. The Clerk-Treasurer shall be responsible for maintaining records of all investments and deposits and preparing reports that summarize recent market conditions, economic conditions, economic developments and anticipated investments for the Investment Advisory Committee of Village Council, on a quarterly basis.

During 2004, the Village Clerk-Treasurer's did not maintain a list of authorized institutions and dealers; they did not establish or maintain an inventory of all obligations and securities acquired by the Village; and they did not produce a monthly portfolio. The Village did not have an Investment Advisory Committee. 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 2004-003

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.39, states in part, that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission.

The following funds had appropriations in excess of estimated revenue at December 31, 2004:

| Fund | Estimated Resources | Appropriations | Appropriations in Excess of Estimated Resources |
|---|----------------------------|-----------------------|--|
| General | \$1,089,515 | \$1,116,758 | \$(27,243) |
| Drug Law Enforcement | 4,590 | 5,057 | (467) |
| Law Enforcement | 6,309 | 6,759 | (450) |
| Police Communications | 12,948 | 13,548 | (600) |
| Permissive Tax | 25,637 | 26,237 | (600) |
| Police Pension | 23,503 | 29,032 | (5,530) |
| Burke Donation | 4,866 | 7,366 | (2,500) |
| Pavilion Debt Retirement | 33,153 | 46,653 | (13,500) |
| Issue 2 / Water Tower Construction | 58,747 | 63,247 | (4,500) |
| Water Extension Replacement | 43,575 | 57,075 | (13,500) |
| Water Revenue | 625,506 | 700,506 | (75,000) |
| Garbage Revenue | 115,178 | 119,178 | (4,000) |
| Parking Meter | 7,598 | 8,873 | (1,275) |
| Water 1 st Mortgage 1998 Issue | 102,812 | 105,705 | (2,892) |

Appropriating more resources than the Village is expecting for the year could result in negative fund balances and possibly lead to fiscal distress due to overspending. We recommend that the Village monitor budgetary activity monthly and make the necessary amendments to their official budgetary documents so that they reflect the actual budgetary situation. All amendments should be reviewed and approved by Council.

FINDING NUMBER 2004-004

Noncompliance

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 Sidewalk Debt fund had a negative fund balance of \$3,695 at December 31, 2004.

During 2004, the Village expended more monies than received in the Sidewalk Debt fund. In addition, the Village did not accurately record prior audit adjustments which reduced the fund balance in the Village's

**FINDING NUMBER 2004-004
(Continued)**

Sidewalk Debt fund. The excess spending and unrecorded adjustments resulted in a negative fund balance at year end. Therefore, we recommend that the Village correct the negative fund balance in the Sidewalk Debt fund and monitor their fund balances to ensure that the Village does not use monies from one fund to cover the expenses of another fund.

We received the following response from Officials to the findings reported above.

The Village of Bethel accepts the findings presented by the Auditors. The issues brought forward in the findings are being addressed.



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
MAY 7, 2009