



Dave Yost • Auditor of State

VILLAGE OF BETHEL
CLERMONT COUNTY

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Dave Yost • 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.

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

Dave Yost
Auditor of State

November 14, 2012

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Dave Yost • 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 years ended December 31, 2010 and 2009. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. The Auditor of State served during the year ended December 31, 2010 as the Village's financial supervisor under Ohio Rev. Code Section 118.05(G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to the audit of the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Rev. Code Section 118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code 118.05(G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 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, 2010 and 2009, 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 and reserves for encumbrances and discrete component unit of the Village of Bethel, Clermont County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The accompanying financial statements have been prepared assuming that the Village will continue as a going concern. As discussed in Note 11 to the financial statements, the Village has suffered recurring losses that raise substantial doubt about its ability to continue as a going concern. The Auditor of State has determined a fiscal emergency exists, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Rev. Code. Note 11 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2012 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.



Dave Yost
Auditor of State

November 14, 2012

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND DISCRETE COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)	Component Unit Burke Trust
Cash Receipts:						
Property and Local Taxes	\$193,004	\$116,682	\$0	\$0	\$309,686	0
Intergovernmental	163,522	122,294	0	18,731	304,547	0
Special Assessments	0	0	69	0	69	0
Charges for Services	139,511	2,230	0	0	141,741	0
Fines, Licenses and Permits	64,235	5,733	0	0	69,968	0
Earnings on Investments	8	0	0	0	8	34,025
Miscellaneous	3,607	40,028	0	6,244	49,879	0
Total Cash Receipts	563,887	286,967	69	24,975	875,898	34,025
Cash Disbursements:						
Current:						
Security of Persons and Property	262,838	44,469	0	0	307,307	0
Public Health Services	6,420	0	0	0	6,420	0
Leisure Time Activities	8,318	0	0	0	8,318	0
Community Environment	4,135	10,060	0	24,975	39,170	0
Transportation	0	180,694	0	0	180,694	0
General Government	116,872	28,153	4	0	145,029	0
Debt Service:						
Redemption of Principal	8,084	0	0	0	8,084	0
Interest and Fiscal Charges	0	0	0	0	0	0
Capital Outlay	0	31,000	0	0	31,000	0
Other - Scholarship and Grants	0	0	0	0	0	60,707
Total Cash Disbursements	406,667	294,376	4	24,975	726,022	60,707
Total Receipts Over/(Under) Disbursements	157,220	(7,409)	65	0	149,876	(26,682)
Other Financing Receipts / (Disbursements):						
Sale of Fixed Assets	0	12,559	0	0	12,559	0
Advances-In	0	24,975	0	24,975	49,950	0
Advances-Out	0	(24,975)	0	(24,975)	(49,950)	0
Other Financing Sources	0	0	0	0	0	66
Other Financing Sources - Capital Gain on Fixed Income Mutual Funds						5,370
Other Financing Uses - Loss on Sale of Investments						(19,581)
Other Financing Uses - Trust Funds Administrative Fees						(12,534)
Other Financing Uses - Capital Loss on Fixed Income Mutual Funds	0	0	0	0	0	(8,321)
Total Other Financing Receipts / (Disbursements)	0	12,559	0	0	12,559	(35,000)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	157,220	5,150	65	0	162,435	(61,682)
Fund Cash Balances, January 1	(326,510)	279,396	(15,906)	1,222	1,271,703	1,299,206
Fund Cash Balances, December 31	(\$169,290)	\$284,546	(\$15,841)	\$1,222	\$1,434,138	\$1,237,524
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0	\$0	\$0

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, 2010**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$3,880,998	\$0	\$0	\$3,880,998
Fines, Licenses and Permits	\$750	\$0	\$0	750
Miscellaneous	4,169	0	0	4,169
Total Operating Cash Receipts	3,885,917	0	0	3,885,917
Operating Cash Disbursements:				
Personal Services	345,926	0	0	345,926
Employee Fringe Benefits	225,639	0	200	225,839
Contractual Services	2,741,289	0	0	2,741,289
Supplies and Materials	73,198	0	0	73,198
Other	157,095	0	0	157,095
Total Operating Cash Disbursements	3,543,147	0	200	3,543,347
Operating Income/(Loss)	342,770	0	(200)	342,570
Non-Operating Cash Receipts:				
Property and Other Local Taxes	107,401	0	0	107,401
Intergovernmental	14,842	0	0	14,842
Special Assessments	6,974	0	0	6,974
Miscellaneous Receipts	2,996	20,000	0	22,996
Other Non-Operating Cash Receipts	0	0	78,468	78,468
Total Non-Operating Cash Receipts	132,213	20,000	78,468	230,681
Non-Operating Cash Disbursements:				
Capital Outlay	49,050	0	0	49,050
Redemption of Principal	75,417	0	0	75,417
Interest and Other Fiscal Charges	27,683	0	0	27,683
Other Non-Operating Cash Disbursements	0	19,961	78,543	98,504
Total Non-Operating Cash Disbursements	152,150	19,961	78,543	250,654
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	322,833	39	(275)	322,597
Transfers-In	129,000			129,000
Transfers-Out	(129,000)			(129,000)
Net Receipts Over/(Under) Disbursements	322,833	39	(275)	322,597
Fund Cash Balances, January 1	624,059	28,467	4,825	657,351
Fund Cash Balances, December 31	\$946,892	\$28,506	\$4,550	\$979,948
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0

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 GOVERNMENTAL FUND TYPES AND DISCRETE COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)	Component Unit Burke Trust
Cash Receipts:						
Property and Local Taxes	\$193,209	\$122,677	\$0	\$0	\$315,886	0
Intergovernmental	213,856	133,536	0	11,250	358,642	0
Special Assessments	0	0	757	0	757	0
Charges for Services	141,554	2,140	0	0	143,694	0
Fines, Licenses and Permits	49,121	5,219	0	0	0	0
Earnings on Investments	35	0	0	0	0	44,166
Miscellaneous	26,939	7,947	0	156	35,042	0
Total Cash Receipts	624,714	271,519	757	11,406	908,396	44,166
Cash Disbursements:						
Current:						
Security of Persons and Property	326,714	44,789	0	0	371,503	0
Public Health Services	6,406	0	0	0	6,406	0
Leisure Time Activities	0	8,221	0	0	8,221	0
Community Environment	6,021	0	0	0	6,021	0
Transportation	0	102,612	0	0	102,612	0
General Government	148,984	29,193	38	0	178,215	0
Capital Outlay	0	0	0	8,400	8,400	0
Other - Scholarships and Grants	0	0	0	0	0	25,700
Total Cash Disbursements	488,125	184,815	38	8,400	681,378	25,700
Total Receipts Over/(Under) Disbursements	136,589	86,704	719	3,006	227,018	18,466
Other Financing Receipts / (Disbursements):						
Proceeds from Sale of Public Debt:						
Transfers-In	7,047	7,530	0	0	14,577	0
Transfers-Out	0	(14,577)	0	0	(14,577)	0
Advances-In	11,250	0	0	0	11,250	0
Advances-Out	0	0	0	(11,250)	(11,250)	0
Other Financing Sources	0	0	0	0	0	216
Other Financing Sources - Gain on Sale of Investments	0	0	0	0	0	35,130
Other Financing Sources - Capital Gain on Fixed Income Mutual f	0	0	0	0	0	14,005
Other Financing Uses - Loss on Sale of Investments	0	0	0	0	0	(42,030)
Other Financing Uses - Trust Funds Administrative Fees	0	0	0	0	0	(11,719)
Other Financing Uses - Capital Loss on Fixed Income Mutual Fun	0	0	0	0	0	(24,949)
Total Other Financing Receipts / (Disbursements)	18,297	(7,047)	0	(11,250)	0	(29,347)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	154,886	79,657	719	(8,244)	227,018	(10,881)
Fund Cash Balances, January 1, restated	(481,396)	199,739	(16,625)	9,466	1,044,685	1,310,087
Fund Cash Balances, December 31	(\$326,510)	\$279,396	(\$15,906)	\$1,222	\$1,271,703	\$1,299,206
Reserve for Encumbrances, December 31	\$235	\$1,648	\$0	\$0	\$1,883	0

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, 2009**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	Agency		
Operating Cash Receipts:					
Charges for Services	\$3,779,926	\$0	\$0		\$3,779,926
Total Operating Cash Receipts	3,779,926	0	0		3,779,926
Operating Cash Disbursements:					
Personal Services	370,006	0	0		370,006
Employee Fringe Benefits	225,907	0	0		225,907
Contractual Services	2,723,301	0	0		2,723,301
Supplies and Materials	86,029	0	0		86,029
Claims	0	0	0		0
Other	141,668	0	0		141,668
Total Operating Cash Disbursements	3,546,911	0	0		3,546,911
Operating Income/(Loss)	233,015	0	0		233,015
Non-Operating Cash Receipts:					
Property and Other Local Taxes	106,094	0	0		106,094
Intergovernmental	13,811	0	0		13,811
Miscellaneous Receipts	9,385	20,000	1,184		30,569
Special Items	3,552	0	0		3,552
Other Non-Operating Cash Receipts	0	0	64,315		64,315
Total Non-Operating Cash Receipts	132,842	20,000	65,499		218,341
Non-Operating Cash Disbursements:					
Redemption of Principal	70,000	0	0		70,000
Interest and Other Fiscal Charges	28,413	0	0		28,413
Other Non-Operating Cash Disbursements	0	14,947	66,289		81,236
Total Non-Operating Cash Disbursements	98,413	14,947	66,289		179,649
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	267,444	5,053	(790)		271,707
Transfers-In	104,000	0	0		104,000
Transfers-Out	(104,000)	0	0		(104,000)
Net Receipts Over/(Under) Disbursements	267,444	5,053	(790)		271,707
Fund Cash Balances, January 1, restated	356,614	23,414	5,408		385,436
Fund Cash Balances, December 31	\$624,058	\$28,467	\$4,618		\$657,143
Reserve for Encumbrances, December 31	\$0	\$11,230	\$0		\$11,230

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

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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 service. The Edmund G. Burke Community Trust is a discretely presented component unit of the Village of Bethel (See Note 9).

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. 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 common stock at cost, 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.

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.

2. Special Revenue Funds

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

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

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

3. Debt Service Funds

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

Sidewalk Debt Fund – This fund receives special assessment money to fund the principal and interest payments of the Sidewalk Special Assessment Bonds. The bonds were paid off in 2007; however, because of delinquent assessments, the fund will continue to receive monies to cover the deficit fund balance.

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.

5. Enterprise Funds

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

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

6. 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 and unclaimed monies fund.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

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.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

2. Equity in Pooled Deposits and Investments

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

	2010	2009
Demand deposits	\$1,075,797	\$588,013
Total deposits	1,075,797	588,013
U.S. Treasury Notes		
STAR Ohio	6,926	6,918
Total investments	6,926	6,918
Total deposits and investments	\$1,082,723	\$594,931

Component Unit – Equity in Pooled Deposits and Investments

	2010	2009
Mutual Funds	307,042	233,532
Fixed Income Equity Securities	472,229	444,562
Money Market Mutual Funds	89,358	106,889
Common Stock	319,017	464,345
Preferred Stock	49,878	49,878
Total investments	1,237,524	1,299,206

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.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 follows:

2010 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$552,255	\$563,887	\$11,632
Special Revenue	246,543	299,526	52,983
Debt Service	1,000	69	(931)
Capital Projects	25,000	24,975	(25)
Enterprise	4,056,400	4,147,130	90,730
Total	\$4,881,198	\$5,035,587	\$154,389

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$473,770	\$406,667	\$67,103
Special Revenue	335,637	294,376	41,261
Debt Service	100	4	96
Capital Projects	25,000	24,975	25
Enterprise	4,188,947	3,824,297	364,650
Total	\$5,023,454	\$4,550,319	\$473,135

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$615,105	\$631,761	\$16,656
Special Revenue	265,638	279,049	13,411
Debt Service	0	757	757
Capital Projects	21,650	11,406	(10,244)
Enterprise	4,045,200	4,016,768	(28,432)
Total	\$4,947,593	\$4,939,741	(\$7,852)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$561,450	\$488,125	\$73,325
Special Revenue	276,600	199,392	77,208
Debt Service	100	38	62
Capital Projects	8,814	8,400	414
Enterprise	3,999,898	3,749,324	250,574
Total	\$4,846,862	\$4,445,279	\$401,583

Contrary to Ohio law, the following budgetary conditions existed:

- Negative fund balances existed at year end
- Revenue derived from a general levy for current expenses was not paid into the General Fund;

4. Property Tax

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

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

4. Property Tax (Continued)

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.

5. Debt

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Water 1 st Mortgage Revenue Bonds	\$430,000	4.7%

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

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

	Water 1st Mortgage Revenue Bonds
Year ending December 31:	
2011	\$113,600
2012	114,017
2013	119,017
2014	124,017
2015	128,600
Total	\$599,251

6. Debt Service Trust Funds

The First Mortgage Waterworks System Revenue Refunding Bonds debt agreement required the Village to establish a Bond Account maintained by a custodian bank. Monthly, the Village is to pay an amount equal to one-sixth of the interest due on all outstanding Bonds on the next ensuing interest payment date and one-twelfth of the principal due on the next ensuing principal payment. Moneys in the Bond Account shall be used to pay principal and interest on bonds on their regularly scheduled maturity dates. The Village has established this account. At December 31, 2010, the custodian held \$111,333 in Village assets. The accompanying financial statements do not include these assets or the related receipts and disbursements.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wage and the Village contributed an amount equal to 19.5% of full-time police members' wages. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009:

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

8. Risk Management (Continued)

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Village's share of these unpaid claims collectible in future years is approximately \$21,882.

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>	
<u>2010</u>	<u>2009</u>
\$ 23,529	\$ 21,684

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to 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 PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Self Insurance

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

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

9. The Edmund G. Burke Community Trust – 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.

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;
- (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.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

10. Compliance

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

11. Fiscal Emergency Determination

The Auditor of State, Local Government Services Division (LGS) was contacted by the Village regarding their financial difficulties and LGS is currently assisting the Village. LGS performed a fiscal analysis under the criteria established in the Ohio Revised Code, Chapter 118. On August 24, 2010, the Local Government Services Division of the Auditor of State's Office issued a report to officials of the Village which details the criteria and results of the fiscal emergency reviews of December 31, 2009 and May 31, 2010. The conclusion of this report was that a fiscal emergency existed under Sections 118.03(A)(5) and 118.03(B). The Village of Bethel was declared under fiscal emergency on August 24, 2010.

On February 14, 2011 the Village of Council adopted a Financial Recovery Plan. Part of the plan includes the following: to increase revenue part of the plan includes the general fund to be reimbursed overhead costs of the electric and water funds, to decrease expenses, the Village plans to limit appropriations to 85% of expected revenues and reduce overtime in police department.

As of September 30, 2012, the Village had the following unaudited Fund Cash Balances:
 General Fund – \$141,868
 Police Pension Fund – \$2,142
 Sidewalk Assessment Fund – \$811
 Garbage Enterprise Fund – \$26,586
 Police Communication Fund - \$10,792

12. Restatement of Balances

The Edmond G. Burke Community Trust fund was reclassified from a blended component unit to a discretely presented component unit. The Scholarship fund was reclassified from a permanent fund to a private purpose trust fund. These presentation changes resulted in the restatement from amounts previously reported. These restatements resulted in changes to balances reported at January 1, 2009, as follows:

	Permanent Fund	Private Purpose Trust Fund	Discretely Presented Component Unit
Fund Balances			
December 31, 2008	\$ 1,333,501	\$ 0	\$ 0
Fund Reclassification	<u>(\$1,333,501)</u>	<u>23,414</u>	<u>1,310,087</u>
Restated Fund Balances January 1, 2009	<u>\$ 0</u>	<u>\$23,414</u>	<u>\$1,310,087</u>

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

13. Subsequent Event

The Village approved resolution 925 authorizing the mayor to accept the revised subgrant recipient contract with the Clermont County Commissioners FY2011 CDBG Formula program for the replacement of the South Charity Street Bridge in the Village of Bethel. On May 9, 2012 the subgrant recipient contract was signed for the amount of \$198,300.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Bethel, Clermont County, Ohio (the Village), as of and for the years ended December, 31 2010 and 2009, and have issued our report thereon dated November 14, 2012, 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 suffered recurring losses from operating and has a negative General Fund balance. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State. The Auditor of State served during the year ended December 31, 2010 as the Village's financial supervisor under Ohio Rev. Code Section 118.05(G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a control deficiency, or combination of control deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider finding 2010-006 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated November 14, 2012

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2010-001 through 2010-007.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 14, 2012.

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

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



Dave Yost, CPA
Auditor of State

November 14, 2012

VILLAGE OF BETHEL
CLERMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-001

Material Weakness/ Noncompliance Citation

Mayor's Court

We noted the following conditions related to the criteria for the operations of the Mayor's Court:

- **Ohio Revised Code, Section 9.38**, requires monies to be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Based on transaction dates and deposit ticket dates, the Village did not make timely deposits.

This section also stipulates that if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day. The Village has not adopted this policy regarding deposits.

- **Ohio Revised Code, Section 733.40**, requires disbursements to be done by the first Monday of each month and a monthly Mayor's Court report to be provided at the first monthly meeting of Council stating the money received, from whom and for what purposes received, and when paid into the treasury. Mayor's court did not submit payment to the Village by the first Monday of the following months: July through December 2009, February, March, May, June and October 2010. Mayor's court reports were not found in the minutes for January through July 2009, December 2009, and April 2010. Additionally, restitution in the amount of \$500 and \$11.20 which was collected in 2008 for two defendants was not distributed.
- **Ohio Revised Code, Section 2743.70**, requires monies collected for additional court costs shall be transmitted on the first business day of each month to the Treasurer of State. Monies were not submitted by this required date for the months of July 2009 through September 2009. In addition, the Law Enforcement Trust Fund line item was inadvertently left off the monthly reports and collections were not submitted from May of 2009 to January 2011 until the problem was discovered and corrected.
- Bank reconciliations for the Mayor's Court account have not been completed for the audit period.

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

- The Village should deposit all receipts within 24 hours of receipt. If deposits are not made within 24 hours of receipts, the Village should adopt the above mentioned policy and receipts should be safeguarded to prevent theft or misappropriation.
- Bank reconciliations should be performed monthly and reviewed and signed by both the Mayor and Fiscal Officer to verify completeness and accuracy. Any change fund should be adopted by resolution which details the amount and defines responsibility over the change fund.

**FINDING NUMBER 2010-001
(Continued)**

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

FINDING NUMBER 2010-002

Nocompliance Citation

Certification of Funds

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

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

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

Amounts of less than three thousand dollars (\$3000) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2010-002
 (Continued)**

Forty percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative fund balances.

Prior certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being expended or exceeding budgetary spending limitations as set by Council.

To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Fiscal Officer and the Fiscal Officer periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Fiscal Officer, and recorded against appropriations.

FINDING NUMBER 2010-003

Noncompliance Citation

Budgetary

Ohio Revised Code, Section 5705.36(A)(4), states that upon determination by the fiscal officer of a subdivision that the revenue to be collected will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. Actual revenue was less than estimated revenues, and the deficiency reduced available resources below the level of 2009 appropriations in the following funds:

2009					
	Beginning		Total		
	Unencumbered	Actual	Available		
Fund	Fund Balance	Receipts	Resources	Appropriations	Variance
General Fund	\$ (481,396)	\$ 624,714	\$ 143,318	\$ 561,100	\$ (417,782)

The Village of Bethel was declared under fiscal emergency on August 24, 2010.

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

FINDING NUMBER 2010-004

Noncompliance Citation

Deficit Fund Balance

Ohio Revised Code, Section 5705.10(H), provides that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The following funds had negative fund balances at the end of 2009 year end:

2009	Fund	Fund Balance
	General Fund	\$ (326,510)
	Police Pension Fund	(21,707)
	Sidewalk Debt Service Fund	(15,906)

The Village of Bethel was declared under fiscal emergency on August 24, 2010.

FINDING NUMBER 2010-005

Noncompliance Citation

Budgetary

Ohio Revised Code, Section 5705.39, provides, in part, that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure there from as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. Appropriations exceeded the total resources in the following funds at 2009 fiscal year end:

2009	Final Amended Certificate of Estimated Resources	Final Permanent Appropriations	Variance Favorable/ (Unfavorable)
General Fund	\$ 132,909	\$ 561,100	\$ (428,191)

The Village of Bethel was declared to be in fiscal emergency on August 24, 2010.

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

FINDING NUMBER 2010-006

Significant Deficiency/ Noncompliance

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

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

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

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

Because a levy under Ohio Rev. Code, Section 5705.19(A): 1) must be available for all current expenses of a subdivision and may not be restricted to particular uses; and 2) all revenue derived from any general levy for current expense authorized by vote in excess of the ten-mill limitation, shall be paid into the general fund, the Village of Bethel levy revenue should have been posted to the general fund. As general fund monies may be used for any purpose for which the funds are lawfully appropriated, any levy monies expended for the Grant Memorial Building and Burke Park would be permissible. However, there is no authority to place these monies in the restricted funds without following applicable transfer statutes.

Audit adjustments have been made by the Village to the financial statements and accounting records to reclassify financial activity and balances from the Grant Memorial and Burke Park funds to the General Fund. The levy renewal failed during the audit period and levy monies were only received during 2009.

We recommend all tax levy and related monies for current operating expenses be posted to the General Fund as required by statute. Monies may be transferred, according to applicable statutes, from the General Fund after initial posting of monies. We also recommend that the language of all future levies placed on the ballot be reviewed for accuracy.

FINDING NUMBER 2010-007

Noncompliance Citation

Timeliness of Deposit

Ohio Revised Code, Section 9.38, provides that public money must be deposited with the Fiscal Officer or with the designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of the receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. During testing of utility usage receipts, we noted that 20 of 60 (33%) were not deposited timely. Failing to deposit monies within the required time period could cause receipts to be susceptible to loss or theft. We recommend the Village implement procedures to ensure deposits are made within one business day of receipt. As an alternative, the Village may adopt a policy permitting a different time period. Auditor of State Bulletin 99-020 provides further guidance on this issue.

Officials' Response:

The Village of Bethel acknowledges the findings of the 2009-10 audit. The Village staff will continue to work towards improving compliance on all issues. As the Village prepares to exit fiscal emergency in the near future, the goal is to eliminate all compliance issues and achieve satisfactory audit results.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Finding for recovery against Kevin Perkins in the amount of \$833	Yes	
2007-002	Finding for recovery against Travis Dotson in the amount of \$2,212	Yes	
2007-003	Finding for recovery against Mary Daugherty in the amount of \$1,418.53	Yes	
2007-004	Finding for recovery against Mitch Hatfield in the amount of \$426.99	Yes	
2007-005	Finding for recovery repaid under audit against Robert Collins	Yes	
2007-006	Finding for recovery repaid under audit against Kelly Terry	Yes	
2007-007	Finding for recovery repaid under audit against Jerry Whitacre	Yes	
2007-008	Finding for recovery against Shane Bininger in the amount of \$345	Yes	
2007-009	Finding for recovery against Kem Gay in the amount of \$455.01	Yes	
2007-010	Mayor's court material noncompliance	No	Repeated as finding 2008-008
2007-011	Utilities operations material noncompliance	No	Repeated as finding 2008-009
2007-012	Payroll material noncompliance	No	Repeated as finding 2008-010
2007-013	Material Weakness/ Material Noncompliance related Health Insurance Processing	No	Repeated as finding 2008-011

Village of Bethel
Clermont County
Schedule of Prior Audit Findings
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2007-014	Material Weakness/ Noncompliance of ORC 733.28 and OAC 117-2- 02(A) related to recordkeeping and reporting	No	Repeated as finding 2008-012
2007-015	Noncompliance with ORC 5705.36(a)(4) – appropriations exceeding resources	No	Repeated as finding 2008-014
2007-016	Noncompliance with ORC 5705.41(B) – expenditures exceeding appropriations	Yes	
2007-017	Noncompliance with ORC 5705.41(D)(1) – prior certification of funds	No	Repeated as finding 2008-013
2007-018	Noncompliance with ORC 5705.36(A)(1) & (3)- filing of certificate of available resources and amended certificates	No	Repeated as finding 2008-015
2007-019	Noncompliance with ORC 5705.38(A) – appropriation measure not filed for 2006	Yes	
2007-020	Noncompliance with ORC 5705.39 – appropriations exceeded total resources	Yes	
2007-021	Noncompliance with ORC 5705.10(H) – negative fund balances	No	Repeated as finding 2008-016
2007-022	Noncompliance with ORC 5705.10(D) – posting errors in special funds	No	Repeated as finding 2008-017
2007-023	Noncompliance with ORC 5705.14 – illegal transfers	No	Repeated as finding 2008-018
2007-024	Noncompliance/ Significant Deficiency with ORC 121.22 c and 149.43 minute records	No	Repeated as finding 2008-019
2007-025	Noncompliance with ORC 117.38 – inaccurate filing of financial report	No	Repeated as finding 2008-020
2007-026	Noncompliance with ORC 135.14(O)(1) – investment policy compliance	Yes	

Village of Bethel
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2007-027	Noncompliance/Significant Deficiency with Debt Covenants/Disclosure	Yes	
2007-028	Noncompliance with ORC 5705.19(A) – Levy revenues	No	Repeated as finding 2008-022
2008-001	Finding for Recovery against Laurie Taylor for \$13,258	Yes	
2008-002	Finding for Recovery under ORC 2743.70, 2949.091, 4513.263 and 4511.81(J)(2) against Village of Bethel Mayor's Court to the State of Ohio	Yes	
2008-003	Material Noncompliance with ORC 733.40 – Mayor's Court fine distribution	No	Finding has been partially repaid
2008-004	Finding for Recovery against Ralph Byrd in the amount of \$1,831	Yes	
2008-005	Finding for Recovery Repaid under Audit against John Wallace for \$541	Yes	
2008-006	Finding for Recovery against James Hollandsworth in the amount of \$170	No	Finding has not been repaid
2008-007	Finding for Recovery against Jerry Whitacre in the amount of \$20	Yes	
2008-008	Material Noncompliance – Mayor's Court operations	No	Repeated as finding 2010-001
2008-009	Material Noncompliance – Utilities Operations	Yes	
2008-010	Material Noncompliance – Payroll	Yes	
2008-011	Material Weakness/ Material Noncompliance with Employee Handbook regarding medical reimbursement processing	Yes	

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2008-012	Material Weakness/ Material Noncompliance on Financial Recorkeeping	Yes	
2008-013	Significant Deficiency/ Material Noncompliance on ORC 5705.41(D)(1) regarding prior certification	No	Repeated as finding 2010-002
2008-014	Noncompliance with ORC 5705.36(A)(4)- appropriations exceeding total resources	No	Repeated as finding 2010-003
2008-015	Noncompliance with ORC 5705.36 (A)(1) & (3) – Filing certificate of all sources available and amended certificates	No	Finding no longer valid
2008-016	Noncompliance with ORC 5705.10(H) – deficit fund balances	No	Repeated as finding 2010-004
2008-017	Noncompliance with ORC 5705.10(D) – accurate posting to financial records	Yes	
2008-018	Noncompliance with ORC 5705.14, 5705.15, and 5705.16 – regarding transfers	Yes	
2008-019	Significant Deficiency/ noncompliance with ORC 121.22c and 149.43 – minute records	No	Repeated in management letter
2008-020	Noncompliance with ORC 117.38 – annual reporting	Yes	
2008-021	Noncompliance with ORC 135.14(F) – premature sale of security causing loss	Yes	
2008-022	Significant Deficiency/ noncompliance with ORC 5705.19(A) and 5705.10(A) – levy revenues	No	Repeated as finding 2010-006



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
DECEMBER 11, 2012