



**Auditor of State
Betty Montgomery**

VILLAGE OF BETHEL
CLERMONT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2002.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Prior Audit Findings	17

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 18, 2004

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$150,740	\$94,379	\$0	\$0	\$7,641	\$252,760
Intergovernmental Receipts	169,534	96,477			1,077	267,088
Special Assessments			25,204			25,204
Charges for Services	111	12,212				12,323
Fines, Licenses, and Permits	55,301	7,179				62,480
Earnings on Investments	32,250	590				32,840
Rental Income	78,000					78,000
Miscellaneous	17,636	2,403		166	550	20,755
Total Cash Receipts	<u>503,572</u>	<u>213,240</u>	<u>25,204</u>	<u>166</u>	<u>9,268</u>	<u>751,450</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	249,961	41,285			27,580	318,826
Public Health Services	5,566					5,566
Leisure Time Activities	3,575	7,779				11,354
Community Environment	5,061				3,334	8,395
Transportation	31,974	148,066				180,040
General Government	197,832	25,018			139	222,989
Debt Service:						
Principal Payments			70,000			70,000
Interest Payments			7,356			7,356
Total Cash Disbursements	<u>493,969</u>	<u>222,148</u>	<u>77,356</u>	<u>0</u>	<u>31,053</u>	<u>824,526</u>
Total Receipts Over/(Under) Disbursements	<u>9,603</u>	<u>(8,908)</u>	<u>(52,152)</u>	<u>166</u>	<u>(21,785)</u>	<u>(73,076)</u>
Other Financing Receipts and (Disbursements):						
Sale of Notes			30,000			30,000
Loss on sale of investments	(8,000)					(8,000)
Transfers-In	225		16,500	18,000	19,486	54,211
Transfers-Out	(37,079)	0	0	0	(246)	(37,325)
Other Financing Sources	65,000				22,159	87,159
Other Financing Uses				(1,785)	(16,379)	(18,164)
Total Other Financing Receipts/(Disbursements)	<u>20,146</u>	<u>0</u>	<u>46,500</u>	<u>16,215</u>	<u>25,020</u>	<u>107,881</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>29,749</u>	<u>(8,908)</u>	<u>(5,652)</u>	<u>16,381</u>	<u>3,235</u>	<u>34,805</u>
Fund Cash Balances, January 1	<u>379,010</u>	<u>91,581</u>	<u>5,263</u>	<u>76,017</u>	<u>23,034</u>	<u>574,905</u>
Fund Cash Balances, December 31	<u>\$408,759</u>	<u>\$82,673</u>	<u>(\$389)</u>	<u>\$92,398</u>	<u>\$26,269</u>	<u>\$609,710</u>

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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$2,983,972		\$0	\$2,983,972
Investment Earnings		\$30,809		30,809
Miscellaneous	10,696			10,696
Total Operating Cash Receipts	2,994,668	30,809	0	3,025,477
Operating Cash Disbursements:				
Personal Services	786,723			786,723
Contractual Services	1,420,273	11,151		1,431,424
Supplies and Materials	258,662			258,662
Rental Expense	85,200			85,200
Miscellaneous	168			168
Capital Outlay	45,269			45,269
Total Operating Cash Disbursements	2,596,295	11,151	0	2,607,446
Operating Income/(Loss)	398,373	19,658	0	418,031
Non-Operating Cash Receipts:				
Other Non-Operating Receipts			54,377	54,377
Total Non-Operating Cash Receipts	0	0	54,377	54,377
Non-Operating Cash Disbursements:				
Debt Service	103,079			103,079
Other Non-Operating Cash Disbursements	113,212	22,100	54,377	189,689
Total Non-Operating Cash Disbursements	216,291	22,100	54,377	292,768
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	182,082	(2,442)	0	179,640
Transfers-In	152,079			152,079
Transfers-Out	(152,465)	(16,500)		(168,965)
Net Receipts Over/(Under) Disbursements	181,696	(18,942)	0	162,754
Fund Cash Balances, January 1	366,167	1,147,436		1,513,603
Fund Cash Balances, December 31	\$547,863	\$1,128,494	\$0	\$1,676,357

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 AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$153,818	\$92,346	\$0		\$6,568	\$252,732
Intergovernmental Receipts	236,997	93,738			954	331,689
Special Assessments			23,793			23,793
Charges for Services	19	10,351				10,370
Fines, Licenses, and Permits	48,918	5,292				54,210
Earnings on Investments	42,898	3,904				46,802
Rental Income	78,000	0				78,000
Miscellaneous	2,174	1,535			1,000	4,709
Total Cash Receipts	<u>562,824</u>	<u>207,166</u>	<u>23,793</u>	<u>0</u>	<u>8,522</u>	<u>802,305</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	253,042	18,202			25,653	296,897
Public Health Services	4,954					4,954
Leisure Time Activities	496	8,639				9,135
Community Environment	34,060				5,137	39,197
Transportation	15,402	150,365				165,767
General Government	171,804	185,874			115	357,793
Debt Service:						
Principal Payments			88,000			88,000
Interest Payments			10,414			10,414
Financing and Other Debt-Service Related				5,799		5,799
Capital Outlay				20,301		20,301
Total Cash Disbursements	<u>479,758</u>	<u>363,080</u>	<u>98,414</u>	<u>26,100</u>	<u>30,905</u>	<u>998,257</u>
Total Receipts Over/(Under) Disbursements	<u>83,066</u>	<u>(155,914)</u>	<u>(74,621)</u>	<u>(26,100)</u>	<u>(22,383)</u>	<u>(195,952)</u>
Other Financing Receipts and (Disbursements):						
Sale of Notes			45,000			45,000
Sale of Fixed Assets				2,027		2,027
Transfers-In	41		21,602	57,247	18,229	97,119
Transfers-Out	(36,166)				(5,309)	(41,475)
Other Financing Sources					20,265	20,265
Other Financing Uses	(65,000)				(15,893)	(80,893)
Total Other Financing Receipts/(Disbursements)	<u>(101,125)</u>	<u>0</u>	<u>66,602</u>	<u>59,274</u>	<u>17,292</u>	<u>42,043</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(18,059)</u>	<u>(155,914)</u>	<u>(8,019)</u>	<u>33,174</u>	<u>(5,091)</u>	<u>(153,909)</u>
Fund Cash Balances, January 1	<u>397,069</u>	<u>247,495</u>	<u>13,282</u>	<u>42,843</u>	<u>28,125</u>	<u>728,814</u>
Fund Cash Balances, December 31	<u>\$379,010</u>	<u>\$91,581</u>	<u>\$5,263</u>	<u>\$76,017</u>	<u>\$23,034</u>	<u>\$574,905</u>

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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Agency</u>	
Operating Cash Receipts:				
Charges for Services	\$3,005,107		\$0	\$3,005,107
Investment Earnings		\$30,733		30,733
Miscellaneous	16,831			16,831
Total Operating Cash Receipts	<u>3,021,938</u>	<u>30,733</u>	<u>0</u>	<u>3,052,671</u>
Operating Cash Disbursements:				
Personal Services	769,443			769,443
Contractual Services	1,508,666	10,322		1,518,988
Supplies and Materials	232,822			232,822
Rental Expense	85,200			85,200
Capital Outlay	6,468			6,468
Total Operating Cash Disbursements	<u>2,602,599</u>	<u>10,322</u>	<u>0</u>	<u>2,612,921</u>
Operating Income/(Loss)	<u>419,339</u>	<u>20,411</u>	<u>0</u>	<u>439,750</u>
Non-Operating Cash Receipts:				
Other Non-Operating Receipts			43,896	43,896
Total Non-Operating Cash Receipts	<u>0</u>	<u>0</u>	<u>43,896</u>	<u>43,896</u>
Non-Operating Cash Disbursements:				
Debt Service	105,705			105,705
Other Non-Operating Cash Disbursements	123,911	16,859	43,896	184,666
Total Non-Operating Cash Disbursements	<u>229,616</u>	<u>16,859</u>	<u>43,896</u>	<u>290,371</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	189,723	3,552	0	193,275
Transfers-In	159,705			159,705
Transfers-Out	(199,015)	(16,334)		(215,349)
Net Receipts Over/(Under) Disbursements	150,413	(12,782)	0	137,631
Fund Cash Balances, January 1	<u>215,754</u>	<u>1,160,218</u>	<u>0</u>	<u>1,375,972</u>
Fund Cash Balances, December 31	<u>\$366,167</u>	<u>\$1,147,436</u>	<u>\$0</u>	<u>\$1,513,603</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, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Bethel, Clermont County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides 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. Basis of Accounting

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

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

C. Cash and Investments

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

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

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

VILLAGE OF BETHEL
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Grant Memorial Fund -This fund receives property tax, homestead and rollback money, and rental income to fund maintenance of the Grant Memorial Building.

3. **Debt Service Fund**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. 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 are used to account for receipts that are restricted for the acquisition or construction of 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 – Received Issue 2 funding from the Ohio Public Works Commission. The funding is for the construction project of the water tower.

5. **Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered 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 (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Police Pension Fund – An expendable trust fund for the accumulation and payment of member contribution and employer share of pension funds.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Burke Donation Fund – An expendable trust fund composed of interest and yearly bequest from the Burke Trust to spend on Village projects.

Scholarship Fund – An expendable trust fund established to provide scholarships for students from the Village.

Burke Trust Fund – A non-expendable trust fund composed of the corpus of the Edmund G. Burke Community Trust and the earnings are distributed to the Burke Donation Fund, an expendable trust fund. The trust agreement limits the distribution from the Trust in any fiscal year to earned income (less expenses of the Trust). In addition to the earned income of the trust, not more than \$10,000 of the corpus of the Trust may be expended in any year. The Village has not expended any of the corpus to date. The earnings of the Burke Trust fund are transferred to the Burke Donation Fund for use as approved by the trustees. The funds in the non-expendable trust fund are not available for appropriation.

Mayor's Court – An agency fund that accounts for activity in the mayor's court bank 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 object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments for all funds except non-expendable trust and agency funds. The County Budget Commission must also approve the annual appropriation measure.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) 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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$83,516	\$83,844
Corporate Bonds	759,000	367,000
U.S. Treasury Notes	0	400,000
Mutual Funds	315,057	90,228
Equity Securities	1,128,494	1,147,436
Total investments	2,202,551	2,004,664
Total deposits and investments	\$2,286,067	\$2,088,508

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

Investments: U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form. Equity Securities are held by the Bank (Trustee) in the name of Edmund G. Burke Community Trust.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$532,000	\$568,797	\$36,797
Special Revenue	200,373	213,240	12,867
Debt Service	71,517	71,704	187
Capital Projects	18,000	18,166	166
Enterprise	3,102,350	3,146,747	44,397
Expendable Trust	49,326	50,913	1,587
Total	\$3,973,566	\$4,069,567	\$96,001

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$921,575	\$539,048	\$382,527
Special Revenue	292,542	222,148	70,394
Debt Service	85,865	77,356	8,509
Capital Projects	85,080	1,785	83,295
Enterprise	3,459,643	2,965,051	494,592
Expendable Trust	73,837	47,678	26,159
Total	<u>\$4,918,542</u>	<u>\$3,853,066</u>	<u>\$1,065,476</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$536,321	\$562,865	\$26,544
Special Revenue	201,471	207,166	5,695
Debt Service	90,362	90,395	33
Capital Projects	78,305	59,274	(19,031)
Enterprise	3,145,169	3,181,643	36,474
Expendable Trust	46,591	47,016	425
Total	<u>\$4,098,219</u>	<u>\$4,148,359</u>	<u>\$50,140</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$925,478	\$580,924	\$344,554
Special Revenue	448,716	363,080	85,636
Debt Service	112,729	98,414	14,315
Capital Projects	112,211	26,100	86,111
Enterprise	3,320,423	3,031,230	289,193
Expendable Trust	75,496	52,107	23,389
Total	<u>\$4,995,053</u>	<u>\$4,151,855</u>	<u>\$843,198</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX (Continued)

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, 2003 was as follows:

	Principal	Interest Rate
Water 1st Mortgage 1998	\$880,000	4.60%
Pavilion Bond Anticipation Note	30,000	4.20%
Sidewalk Improvement	115,000	4.125%
Total	\$1,025,000	

The Water 1st Mortgage 1998 Bond funds the purchase and installation of new water lines. The debt is paid for through water collections. Principal outstanding as of December 31, 2003 was \$880,000.

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. Principal outstanding as of December 31, 2003 was \$30,000.

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. Principal outstanding as of December 31, 2003 was \$115,000.

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

	Water First Mortgage 1998	Pavilion Debt	Sidewalk Improvement
Year ending December 31:			
2004	100,255	30,585	29,744
2005	100,670		33,713
2006	99,790		32,475
2007	101,850		31,238
2008 - 2015	800,125		
Total	\$1,202,690	\$30,585	\$127,170

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. 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 Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

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 insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 village.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

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:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$25,288,098	\$20,174,977
Liabilities	(12,872,985)	(8,550,749)
Retained earnings	<u>\$12,415,113</u>	<u>\$11,624,228</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$3,158,813	\$2,565,408
Liabilities	(792,061)	(655,318)
Retained earnings	<u>\$2,366,752</u>	<u>\$1,910,090</u>

8. SUBSEQUENT EVENT

During 2003, the Village settled an outstanding legal claim. The Village agreed to pay the claimant \$35,000. The Village will pay this amount from the General Fund in 2004.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL 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 accompanying financial statements of the Village of Bethel, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 18, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 18, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 18, 2004.

Village of Bethel
Clermont County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

August 18, 2004

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-001	Revised Code 5705.39, appropriations may not exceed estimated resources	No	Partially Corrected, Reported in the 2003-2002 Management Letter.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
OCTOBER 5, 2004**