



Mary Taylor, CPA
Auditor of State

VILLAGE OF BETHEL
CLERMONT COUNTY

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Mary Taylor, CPA Auditor of State

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

To 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 22, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To Village Council:

We have audited the accompanying financial statements of the Village of Bethel, Clermont County, Ohio (the Village), as of and for the year ended December 31, 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2008 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, 2008, or its changes in financial position or cash flows, where applicable for the year 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 of the Village of Bethel, Clermont County, Ohio, as of December 31, 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 12 to the financial statements, the Village has suffered recurring losses from operating and has a negative General Fund balance \$481,396. Note 12 describes Council's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

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



Mary Taylor, CPA
Auditor of State

December 22, 2009

VILLAGE OF BETHEL
CLERMONT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$177,824	\$110,495	\$0	\$0	\$0	\$288,319
Intergovernmental	185,802	130,972	0	7,500	0	324,274
Special Assessments	0	0	2,965	0	0	2,965
Charges for Services	7,811	2,240	0	0	0	10,051
Fines, Licenses and Permits	88,563	10,918	0	0	0	99,481
Earnings on Investments	8,015	1,540	0	0	51,580	61,135
Miscellaneous	108,000	3,741	0	3,663	0	115,404
Total Cash Receipts	576,015	259,906	2,965	11,163	51,580	901,629
Cash Disbursements:						
Current:						
Security of Persons and Property	398,996	108,014	0	0	0	507,010
Leisure Time Activities	20,624	1,077	0	0	0	21,701
Community Environment	4,479	0	0	0	0	4,479
Transportation	61,434	142,479	0	0	0	203,913
General Government	206,425	5,000	0	0	0	211,425
Capital Outlay	0	0	0	47,036	0	47,036
Other - Scholarships and Grants	0	0	0	0	18,814	18,814
Total Cash Disbursements	691,958	256,570	0	47,036	18,814	1,014,378
Total Receipts Over/(Under) Disbursements	(115,943)	3,336	2,965	(35,873)	32,766	(112,749)
Other Financing Receipts / (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Fixed Assets	1,372	1,663	0	0	0	3,035
Transfers-In	0	61,600	0	25,590	0	87,190
Transfers-Out	(87,190)	0	0	0	0	(87,190)
Advances-In	644	7,200	0	18,750	0	26,594
Advances-Out	(11,550)	(7,200)	0	(7,844)	0	(26,594)
Other Financing Sources	11,057	6,666	0	0	0	17,723
Other Financing Sources - Gain on Sale of Investment	0	0	0	0	78,261	78,261
Other Financing Sources - Capital Gain on Fixed Income Mutual Funds	0	0	0	0	9,391	9,391
Other Financing Uses	0	(3,269)	0	0	0	(3,269)
Other Financing Uses - Loss on Sale of Investments	0	0	0	0	(53,825)	(53,825)
Other Financing Uses - Trust Fund Administrative Fees	0	0	0	0	(12,944)	(12,944)
Other Financing Uses - Capital Loss on Fixed Income Mutual Funds	0	0	0	0	(8,382)	(8,382)
Total Other Financing Receipts / (Disbursements)	(85,667)	66,660	0	36,496	12,501	29,990
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(201,610)	69,996	2,965	623	45,267	(82,759)
Fund Cash Balances, January 1	(279,786)	129,943	(19,590)	8,843	1,288,234	1,127,644
Fund Cash Balances, December 31	<u>(\$481,396)</u>	<u>\$199,939</u>	<u>(\$16,625)</u>	<u>\$9,466</u>	<u>\$1,333,501</u>	<u>\$1,044,885</u>
Reserve for Encumbrances, December 31	\$527	\$0	\$0	\$0	\$0	\$527

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, 2008**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$3,698,567	\$0	\$3,698,567
Fines, Licenses and Permits	18,695	0	18,695
Miscellaneous	0	143	143
Total Operating Cash Receipts	<u>3,717,262</u>	<u>143</u>	<u>3,717,405</u>
Operating Cash Disbursements:			
Personal Services	690,681	0	690,681
Contractual Services	2,634,183	0	2,634,183
Supplies and Materials	342,415	0	342,415
Other	20,849	0	20,849
Total Operating Cash Disbursements	<u>3,688,128</u>	<u>0</u>	<u>3,688,128</u>
Operating Income/(Loss)	<u>29,134</u>	<u>143</u>	<u>29,277</u>
Non-Operating Cash Receipts:			
Sale of Fixed Assets	100	0	100
Other Non-Operating Cash Receipts	20,234	62,469	82,703
Total Non-Operating Cash Receipts	<u>20,334</u>	<u>62,469</u>	<u>82,803</u>
Non-Operating Cash Disbursements:			
Capital Outlay	24,913	0	24,913
Redemption of Principal	65,000	0	65,000
Interest and Other Fiscal Charges	44,197	0	44,197
Other Non-Operating Cash Disbursements		60,915	60,915
Total Non-Operating Cash Disbursements	<u>134,110</u>	<u>60,915</u>	<u>195,025</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(84,642)	1,697	(82,945)
Transfers-In	122,113		122,113
Transfers-Out	(122,113)		(122,113)
Net Receipts Over/(Under) Disbursements	(84,642)	1,697	(82,945)
Fund Cash Balances, January 1	<u>441,256</u>	<u>3,511</u>	<u>444,767</u>
Fund Cash Balances, December 31	<u>\$356,614</u>	<u>\$5,208</u>	<u>\$361,822</u>
Reserve for Encumbrances, December 31	<u>\$1,390</u>	<u>\$0</u>	<u>\$1,390</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, 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. 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, 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 deposits and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

VILLAGE OF BETHEL
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)

1. **Summary of Significant Accounting Policies (continued)**

2. **Special Revenue Funds**

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

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

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

3. **Debt Service Funds**

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

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

Skate Park Fund – This fund was created to track receipts and expenses related to the construction of a skate park.

5. **Permanent Funds**

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

Burke Trust Fund – A permanent fund composed of the corpus and investment earnings of the Edmund G. Burke Community Trust; see Note 10 for additional information on the Edmund G. Burke Community Trust. The earnings of the Burke Trust fund were transferred to the Burke Donation funds during 2008. The money used to provide scholarships for worthy and/or needy students was expensed in the permanent fund.

VILLAGE OF BETHEL
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)

1. **Summary of Significant Accounting Policies (continued)**

6. **Enterprise Funds**

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

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

7. **Fiduciary Funds**

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

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. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2008 budgetary activity appears in Note 3.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

1. Summary of Significant Accounting Policies (continued)

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2008
Demand deposits	\$89,721
Total deposits	89,721
STAR Ohio	6,899
Mutual Funds	49,117
Fixed Income Equity Securities	622,811
Money Market Mutual Funds	102,247
Common stock	486,034
Preferred Stock	49,878
Total investments	1,316,986
Total deposits and investments	\$1,406,707

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. Common Stocks, Preferred Stocks, Fixed Income Equity Securities, and Money Market Mutual Funds are held by the Bank (Trustee) in the name of Edmund G. Burke Community Trust. The fair value of the Edmund G. Burke Community Trust at December 31, 2008 was \$1,185,261.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2008 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$658,939	\$589,088	(\$69,851)
Special Revenue	323,064	337,035	13,971
Debt Service	0	2,965	2,965
Capital Projects	49,000	55,503	6,503
Enterprise	4,251,375	3,859,709	(391,666)
Total	\$5,282,378	\$4,844,300	(\$438,078)

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$795,940	\$791,225	\$4,715
Special Revenue	275,940	267,039	8,901
Debt Service	0	0	0
Capital Projects	15,000	54,880	(39,880)
Enterprise	3,901,600	3,944,351	(42,751)
Total	\$4,988,480	\$5,057,495	(\$69,015)

Contrary to Ohio law, the following budgetary conditions existed:

- appropriations exceeded total available resources (beginning unencumbered balance plus actual receipts) in several funds;
- invoice dates preceded purchase order dates;
- the Village did not certify the balances to the County Auditor by on or about January 1;
- the Village did not obtain amended certificates;
- negative fund balances existed at year end;
- revenue to be used for a particular purpose cannot be used by another fund;
- transfers were made that were not allowable; and
- revenue derived from a general levy for current expenses was not paid into the General Fund.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

4. Property Tax

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

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

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

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

5. Debt

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water 1st Mortgage Revenue Bonds	\$575,000	4.70%

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:

Year ending December 31:	Water 1st Mortgage Revenue Bonds
2009	\$105,683
2010	109,017
2011	113,600
2012	114,017
2013	119,017
2014-2015	252,617
Total	\$813,951

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

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, 2008, the custodian held \$114,749 in Village assets. The accompanying financial statements do not include these assets or the related receipts and disbursements.

7. Early Retirement Incentive Plan

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

One employee took the offered Plan during 2007. The employee had over twenty years of service, thus the Village was required to buy three years according to the Plan. If the Village had made one lump sum payment to OPERS for the employee the total cost would have been \$66,297, however, the Village decided to make 12 quarterly installments of \$6,146, which totals \$73,753 because installment payments include an eight percent interest rate. At December 31, 2008, payments of \$30,731 had been made for the employee and thus the liability of the Village to OPERS is \$43,022.

Two employees took the offered Plan during 2008. Each employee had over twenty years of service, thus the Village was required to buy three years according to the Plan. If the Village had made one lump sum payment to OPERS for the employees the total cost would have been \$57,683 and \$36,209, respectively, however, the Village decided to make 12 quarterly installments of \$5,348 and \$3,357, respectively, which totals \$64,170 and \$40,281 because installment payments include an eight percent interest rate. At December 31, 2008, payments of \$5,348 and \$3,357, respectively had been made for these two employees and thus the liability of the Village to OPERS is \$58,822 and \$36,924, respectively.

8. Retirement Systems

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

VILLAGE OF BETHEL
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)

8. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2008, 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 2008, 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, 2008.

9. Risk Management

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

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

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

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

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

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

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

9. Risk Management (Continued)

Property Coverage

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

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

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

Financial Position

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

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

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$41,737. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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

VILLAGE OF BETHEL
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)

9. Risk Management (Continued)

<u>Contributions to PEP</u>	
2006	\$42,937
2007	\$41,081
2008	\$36,293

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

Self Insurance

The Village of Bethel offers its full-time employees a comprehensive medical insurance plan, with a health expense reimbursement arrangement. A major medical plan is provided, with reimbursements handled through the Village until June, 2008 and then 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.

10. **The Edmund G. Burke Community Trust**

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

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

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

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

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

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

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

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

11. Compliance

Contrary to Ohio Revised Code 733.40, the mayor did not account for and dispose of all such fines, forfeitures, fees, and costs collected.

Mayor's Court operations were found to be contrary to the following Ohio Revised Code Sections: 9.38 - monies were not deposited timely; 1905.21 - Mayor did not account for and dispose of all such fines as required; 733.40 - Mayor's court disbursements were not done by the first Monday of each month; and 2743.70 - monies collected for additional court cost were not transmitted on the first business day of each month to the Treasurer of State.

Utilities operations were not in compliance with Ordinances 1554 and 1579, regarding rates approved versus rates charged requiring Council's clarification of intent.

Payroll rates were not in compliance with Ordinances 1559 and 1576 requiring Council's clarification of intent.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

11. Compliance (Continued)

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

Contrary to Ohio Administrative Code 117-2-02(A) the Village did not maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions.

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

Contrary to Ohio Revised Code Section 117.38 the annual financial report was not filed accurately. Contrary to Ohio Revised Code 135.14(F) the Village redeemed an investment prior to maturity for a loss.

A finding for recovery was issued against the former Mayor's Court Clerk for monies collected but not accounted for. As a result of this finding, a finding for recovery was issued against the Village to pay for monies that were not previously submitted.

Three employees (former and current) were not reimbursed for medical related expenses according to Village policy, resulting in findings for recovery. One of these employees has repaid the finding during the audit.

Two former employees were paid for vacation benefits incorrectly, resulting in findings for recovery. One of these findings was repaid under audit.

12. Going Concern / Subsequent Event

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

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

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

- On July 1, 2008, water rates were increased 40% and electric rates were increased 11% on average. The garbage rates were set to cover the contractual expense with Rumpke.

**VILLAGE OF BETHEL
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

12. Going Concern / Subsequent Event (Continued)

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

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

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

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Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Bethel, Clermont County, Ohio (the Village), as of and for the year ended December, 31 2008, and have issued our report thereon dated December 22, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village suffered recurring losses from operating and has a negative General Fund balance. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

We consider findings 2008-011 through 2008-013, 2008-017, 2008-019, and 2008-022 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-011, 2008-012, and 2008-017 are also material weaknesses.

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

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2008-001 through 2008-022.

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

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

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



Mary Taylor, CPA
Auditor of State

December 22, 2009

VILLAGE OF BETHEL
CLERMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008

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

FINDING NUMBER 2008-001

Finding for Recovery

Ohio Traffic Rule 13(A) states, in part, that each court shall establish a traffic violations bureau. The court shall appoint its clerk as violations clerk. Fines and costs shall be paid to, receipted by and accounted for by the violations clerk.

Ms. Laurie Taylor, former Mayor's Court Clerk, and other persons of the Bethel Police Department provided a receipt to the defendants paying their fines at the Village Municipal Building. Ms. Taylor was responsible for issuing receipts, posting collections to the Court's computer system and depositing monies received into the Mayor's Court bank account. The Clerk did not print out a cash book report or reconcile the cash received per the Baldwin system to the amount deposited.

By reconciling the supporting documentation of bank deposits to the Baldwin system reports for Mayor's court activity we identified numerous instances of cash received that was not deposited totaling \$13,258 for the months of December 2007 through March 2009. On August 5, 2009, Laurie Taylor pled guilty to one count of Theft in Office under ORC 2921.41(A)(2).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies collected but unaccounted for is hereby issued against Laurie Taylor, former Mayor's Court Clerk in the amount of \$13,258 and in favor of the Village of Bethel, Mayor's Court, General Fund and Court Computerization Fund, in the amount of \$2,995, \$9,054, and \$1,209, respectively.

Upon collection of the finding for recovery amount listed above, the Mayor's Court should remit that portion owed to the State of Ohio and the Village as outlined in Finding Number 2008-002 and 2008-003 below.

FINDING NUMBER 2008-002

Finding for Recovery

Ohio Rev. Code, Section 2743.70(A)(1), states in part that, "The court, in which any person is convicted of or pleads guilty to any offense that is not a moving violation, shall impose the following sum as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender; (a)Thirty dollars, if the offense is a felony; (b) Nine dollars, if the offense is a misdemeanor. ... All such moneys shall be transmitted on the first business day of each month by the clerk of the court to the treasurer of state and deposited by the treasurer in the reparations fund."

Ohio Rev. Code, Section 2949.091 (A)(1), states in part, "The court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. All such moneys collected during a month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state and deposited by the treasurer of state into the general revenue fund."

**FINDING NUMBER 2008-002
(Continued)**

Ohio Rev. Code, Section 4513.263, pertains to seat belt requirements. Ohio Rev. Code Section 4513.263(E) states in part that “all fines collected for violations of division (B) of this section, or for violations of any ordinance or resolution of a political subdivision that is substantively comparable to that division, shall be forwarded to the treasurer of state for deposit”

Ohio Rev. Code, Section 4511.81(J)(2), involves requirements that children be secured in child restraint systems. This section states, in part, that all fines imposed pursuant to division (J)(1) of this section shall be forwarded to the treasurer of state for deposit in the child highway safety fund.

The monthly distribution to the State was not performed for the months of July and August, 2008. The Court did not distribute \$1,005 of General Revenue fund fines, \$594 of Victims of Crime fund fines, \$60 Seat Belt Fines, and \$30 of Child Highway Safety Fines to the Treasurer of State for the month of July 2008. The Court did not distribute \$660 of General Revenue fund fines, \$401 of Victims of Crime fund fines, and \$174 Seat Belt Fines to the Treasurer of State for the month of August 2008. Amounts were also not distributed in November 2007 to the State in the amount of \$96, which represents \$60 to General Revenue Fund and \$36 to Victims of Crime Fund.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies collected but unaccounted for is hereby issued against the Village of Bethel Mayor's Court in the amount of \$3,020 and in favor of the Treasurer of State's General Revenue fund in the amount of \$1,725, the Victims of Crime fund in the amount of \$1,031, Seat Belt Fines in the amount of \$234 and Child Highway Safety Fund in the amount of \$30.

FINDING NUMBER 2008-003

Material Noncompliance

Ohio Rev. Code, Section 733.40, provides that the mayor shall account for and dispose of all such fines, forfeitures, fees, and costs collected. All monies collected shall be paid by the mayor into the Village on the first Monday of each month. Also, at the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury.

The Court did not pay fines and court costs due to the Village totaling \$364 for November 2007, \$55 for May 2008, \$5,558 for July 2008 and \$4,286 for August 2008. Therefore a total of \$10,263 is due to the Village, \$9,054 in favor of the Village's General Fund and \$1,209 in favor of the Court Computerization Fund. This includes monies collected but not deposited by Ms. Laurie Taylor. The amounts due were included in Finding Number 2008-001.

FINDING NUMBER 2008-004

Finding for Recovery

Mr. Ralph Byrd retired as of November 1, 2008. According to the Village of Bethel Employee Manual he was to be paid out for his accrued but unused vacation leave and one-third of his accrued but unused sick leave balance at the time of his retirement. Mr. Byrd had a sick leave balance of zero at his retirement date. His vacation balance, according to leave records was 280 hours. Instead of a lump sum payment, he was to continue receiving a regular pay check for 80 hours until his vacation balance was completely paid. In addition to his regular balance, he was to receive an additional 200 hours of vacation according to a Buyout Statement signed by Travis Dotson, Administrator, and Angelina Burton, Fiscal Officer. At the end of December 2008, Mr. Byrd requested the balance of his vacation be paid out in a lump sum. The balance at the time, according to Village records, was 256 hours (this includes the additional 200 hours). Upon review of the Village's attendance records, it was noted that 70 hours of vacation was used but not deducted from the balance before his retirement date. Therefore, Mr. Byrd was overpaid for 70 hours of vacation time totaling \$1,831, this amount was paid from the Electric Fund.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Ralph Byrd in the amount of \$1,831 in favor of the Village of Bethel Electric Fund.

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

Michelle Price, Payroll Officer, was responsible for the processing of payroll and Angelina Burton, Fiscal Officer and Travis Dotson, Administrator signed the warrants resulting in improper payments. Michelle Price, Payroll Officer, Angelina Burton, Fiscal Officer and Travis Dotson, Administrator, will be jointly and severally liable in the amount of \$1,831 in favor of the Electric Fund to the extent that recovery is not obtained from Ralph Byrd.

FINDING NUMBER 2008-005

Finding for Recovery Repaid Under Audit

Section 302 of the Village of Bethel's Employee Handbook pertains to Vacation benefits and states, in pertinent part, that upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of work.

Mr. John Wallace served as the Police Chief for the Village of Bethel until he resigned on September 30, 2008. The Village direct deposited payments on October 15 and October 30, 2008, for his accrued but unused vacation with a gross amount of \$2,024.50 each, totaling \$4,049. Upon his resignation he was entitled to payment of 160 hours of accrued but unused vacation leave totaling \$3,737, resulting in an overpayment of \$311. This overpayment was paid from the General Fund. This overpayment was in the form of a direct deposit.

The Village of Bethel provided dental insurance to Village officials and employees. The Village's Schedule of Benefits states that a 20 percent coinsurance is required for all major dental procedures.

**FINDING NUMBER 2008-005
(Continued)**

On April 28, 2008, the Village of Bethel reimbursed Mr. Wallace for a major dental expense totaling \$1,150. The 20 percent coinsurance requirement was not deducted before reimbursement was made. As a result, Mr. Wallace was improperly reimbursed \$230 which was paid from the General Fund.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against John Wallace, and in favor of the Village of Bethel General Fund, in the amount of \$541.

We brought this matter to the Village's attention. On November 18, 2009, Mr. Wallace repaid \$541 to the Village.

FINDING NUMBER 2008-006

Finding for Recovery

The Village of Bethel provided dental insurance to Village officials and employees. The Village's Schedule of Benefits states that a 20 percent coinsurance is required for all major dental procedures.

On June 11, 2008, Mr. James Hollandsworth was reimbursed for major dental work totaling \$850. The 20 percent coinsurance was not deducted prior to reimbursement, as a result Mr. Hollandsworth was improperly reimbursed \$170. This amount was paid from the Electric Fund.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against James Hollandsworth in the amount of \$170 in favor of the Village of Bethel Electric Fund.

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

Angelina Burton, Fiscal Officer and John Swarouth, Mayor, signed the warrant resulting in improper payment. Angelina Burton, Fiscal Officer and John Swarouth, Mayor, are jointly and severally liable in the amount of \$170 in favor of the Electric Fund to the extent that recovery is not obtained from James Hollandsworth.

FINDING NUMBER 2008-007

Finding for Recovery

The Village of Bethel provided health insurance to Village officials and employees. The Village's Schedule of Benefits states that the employee is responsible for \$5 of each office visit copay.

In addition to the reimbursements noted in Finding 2007-007, on various dates in 2008 Mr. Jerry Whitacre was reimbursed the entire amount of four office visit copays totaling \$20. Therefore, Mr. Whitacre was improperly reimbursed \$20. These payments were posted to the Water Fund.

**FINDING NUMBER 2008-007
(Continued)**

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jerry Whitacre in the amount of \$20 in favor of the Village of Bethel Water Fund.

We brought this matter to the Village's attention. On December 16, 2009, Mr. Whitacre repaid \$20 to the Village of Bethel Water Fund. We recommend that the schedule of benefits in effect at the Village, as well as documentation from the employee, be reviewed to ensure proper payment.

FINDING NUMBER 2008-008

Material Noncompliance

Mayor's Court

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

- R.C. 9.38 requires monies to be deposited timely. Deposits were not made timely based on transaction dates and deposit ticket dates. In some instances, only one deposit was made during the month, but monies were received throughout the entire month. Additionally, as noted in Finding Number 2008-001, funds were not always deposited.
- R.C. 1905.21 requires Mayor to be responsible to account for and dispose of all such fines, however, payment submissions to the State and Village were not made for the months of July and August 2008.
- R.C. 733.40 requires disbursements to be done by the first Monday of each month and a monthly Mayor's Court report to be provided at the first monthly meeting of Council stating the money received, from whom and for what purposes received, and when paid into the treasury. Mayor's court reports were not found in the minutes for numerous months in 2008. Additionally, restitution in the amount of \$500 and \$11.20 which was collected for two defendants was not distributed.
- R.C. 2743.70 requires monies collected for additional court costs shall be transmitted on the first business day of each month to the Treasurer of State. Monies were not submitted by this required date for the months of January through November 2008.

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:

- Deposits should be made within 24 hours of receipt, and receipts not deposited, should be safeguarded to prevent possible misappropriation of funds. Additionally, deposit slips should indicate the tender of the deposit (the cash amount and include a detail list of the checks included in the deposit with their amounts) and designate who for the payment is for, if not the same name as the check.
- 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. Additionally, all restitution amounts collected should be remitted to defendants timely. Monthly the Mayor's court reports should be reviewed, approved and submitted to Council for approval by the required time period.

FINDING NUMBER 2008-009

Material Noncompliance

Utilities Operations

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

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

Ordinance 1554 - in effect from November 1, 2006 through June 30, 2008

Ordinance 1579 - in effect from July 1, 2008 through December 31, 2008.

Although, these ordinances were approved in the minutes, there were various discrepancies in the implementation and interpretation of these ordinances. Notably, the ordinances approved were not clear as to the Village's billing rates and the rates did not appear to have been applied to the billings as the ordinances read in all cases. In addition we noted that deposits were not made within 24 hours for 26% of the days tested in 2008 contrary to Ohio Revised Code Section 9.38. Upon discussion with various Council members and personnel at the Village we found that there even existed differences among Village personnel on how these rate changes were to be applied to utility billings.

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

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

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

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

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

FINDING NUMBER 2008-010

Material Noncompliance

Payroll

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

Ordinance 1559 was approved on January 8, 2007 effective from January 1, 2007 through December 31, 2007

Ordinance 1576 was approved on February 11, 2008 effective from January 1, 2008 through December 31, 2008.

Although, these pay rates/ordinances were approved in the minutes, there were various discrepancies within the ordinances. Notably, Ordinance 1559 approved in the minutes for 2007 was not included in the ordinance book and the ordinance book did have the correct pay scale for 2008 (both of these issues are also noted in Finding Number 2008-021). Upon discussion with various Council members and personnel at the Village we found that there was a copy of the pay rates maintained by a Council member which they felt was accurate. However we asked Council to clarify the pay rates during the audit period for each individual since the pay scales did not detail payment by employee.

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

- Not all employee pay rates were approved or were represented on an approved pay scale;
- Hiring, raises and promotions of staff were not noted in the minutes as approved by Council;
- Severance package details were not noted in the minutes as approved by Council;
- Mayors' pay was incorrectly calculated based on Ordinance 1425, which sets the Mayor's salary based on whether or not the Mayor presides over Mayor's Court.

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

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

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

FINDING NUMBER 2008-011

Material Noncompliance / Material Weakness

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

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

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

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

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

- Health care plans (health, dental, vision) should be documented by ordinance creating a permanent record of their policy, adoption of any plan documents and be detailed in the minutes. Detailed plan documents should included in the ordinance book for preservation;
- The policy regarding the payment of spouse's insurance premiums and how other bills not paid by spouse's insurance will be treated under the Village policy should be detailed and adopted. The policy on how dental and vision reimbursements would be handled if medical coverage was not obtained from the Village should be detailed and adopted. Their policy was not clear on the reimbursement of procedures that would not be covered under Humana, for example, cosmetic surgery. This should be clarified. We found the policy in handbook was in conflict with the schedule of benefits on vision coverage for 2006 and part of 2007. The clarification of policy is necessary to ensure proper application of schedule of benefits and reimbursements allowed;

FINDING NUMBER 2008-011
(Continued)

- It was noted that during the periods when the Village was using the third party administrator for employee reimbursements that some employees had submitted claims to the Village fiscal officer which were paid out by the fiscal officer. If the Village is using a third party administrator to process claims then the Village should not be processing these claims. The third party administrator is typically used since they have the medical background and expertise to review claims and determine whether they should be paid according to the schedule of benefits for the Village's insurance coverage.
- The schedule of benefits provides summary of covered procedures, however no additional clarification was provided on how Schedule of benefits would be applied. Knowledge of how to apply the schedule of benefits would be necessary in order to process reimbursement requests;
- Schedule of benefits had various effective dates listed which could indicate that amendments to the schedule was made, however no permanent records were kept of plans in effect. Plan periods (effective dates) should be retained for documentation.
- Health records were not kept in such a way to promote confidentiality under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Review of requirements related to these records should be performed to ensure compliance with HIPAA.
- Claimlinx is considered a service organization to the Village for processing of medical claims and reimbursements. There was limited use of Claimlinx during the audit period and we did not consider the transactions to be financially significant. However, if this service is continued, the transactions processed may be considered material in the future. Service organizations are part of a user organization's information / accounting system. In obtaining or updating an understanding of an auditee's accounting system, we must understand the service organization's accounting processes and controls sufficiently to assess the risk of material misstatement to the Village's financial statements resulting from the transactions processed by the service organization. The most efficient way to obtain or update the necessary understanding of a service organization's systems and the operating effectiveness of controls is to obtain a service auditor's "Type II" report (SAS 70). If the service organization has not had a SAS70 Type II report performed, the auditor must perform alternative procedures or consider issuing a material weakness and also an opinion scope restriction. This should be part of the considerations of the health insurance program and the Village may want to include the third party administrator provide a SAS 70 report as part of their contract with Claimlinx.

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

- From review of the documentation provided and discussions with Village employees we found they were not provided with detailed procedures on claims submission or payments for reimbursement by the Village. Processing procedures are recommended to be established and distributed to employees to ensure consistency and accuracy in the application of the Village's policy;
- Village employees processing claims lacked the expertise to evaluate claims submitted for payment and did not appear to have any clarification of application of the schedule of benefits.

**FINDING NUMBER 2008-011
(Continued)**

- Some claims were paid twice, once directly to provider and once reimbursing the employee for payment. Also, some claims were paid for more than the plan limits. It appeared that the payment of co-pays listed on the schedule of benefits were not monitored and deducted from bills submitted for reimbursement. This was all due to lack of tracking of claims payments made and monitoring of plan limits. This resulted in findings for recovery which are noted in Findings 2008-005, 2008-007 and 2008-008 in this report. Payments of claims need to be tracked in order to prevent duplicate payments and knowledge of the plan limits by those processing reimbursements is necessary to prevent overpayment of plan limits;
- Documentation provided for reimbursements were not always complete or accurate. The following was noted: one reimbursement included an NSF fee charged by a provider to the employee; reimbursements were made on summary statements instead of actual bills; reimbursements were made on explanation of benefits of other insurance providers and then also paid on the actual invoice received from the provider; and, medical claim reimbursements were made without proof that they were submitted to Humana first, (i.e. no explanation of benefits were included in the supporting documentation). This resulted in inconsistent and improper application of the Village health policies and resulted in amounts being expended by the Village in excess of their policy. Should the Village determine to process claims in the future detailed procedures should be developed and distributed to employees outlining necessary documentation for employee health related reimbursements.

FINDING NUMBER 2008-012

Noncompliance Citation/Material Weakness

Financial Recordkeeping

Ohio Admin. Code Section 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During 2008 the Fiscal Officer did not have a separate receipt book to record monies received directly by the Fiscal Officer. When departments in the Village gave the Fiscal Officer deposit tickets for bank deposits made by the department, there was no receipt written by the Fiscal Officer to that individual to denote receipt of these monies. We recommend that duplicate receipts be written for all receipts the fiscal officer receives in a separate receipt book.

The Village ledgers were not maintained accurately with several instances where receipts and disbursements were not posted or classified properly as follows:

- The Village posted Motor Vehicle License (MVL) tax monies to the County Levied Permissive MVL fund totaling \$4,696, which should have been posted to the State Highway and Street Construction, Maintenance and Repair funds in the amount of \$352 and \$4,344, respectively.
- The Village posted gasoline tax to the General fund totaling \$28,431 of which \$2,132 and \$26,299 should have been posted to the State Highway and Street Construction, Maintenance, and Repair funds, respectively.

FINDING NUMBER 2008-012
(Continued)

- The Village posted all homestead and rollback revenue to the General Fund of which \$7,303, \$2,987, \$1,097, \$1,265, \$1,327, and \$1,327, should have been posted to the Street and Bridge, Police Levy, Police Pension, Police Communications, Grant Memorial, and Burke Park funds, respectively. Additionally, homestead and rollback revenue in the General Fund of \$3,663 was posted to taxes instead of intergovernmental.
- The Village posted MVL tax in the State Highway and Street Construction, Maintenance, and Repair funds of \$7,034 and \$12,963, respectively, as taxes instead of intergovernmental.
- The Village posted the 1st, 2nd, and 3rd House Bill 66 and the 2nd half state deregulation receipts as taxes instead of intergovernmental in the General, Street and Bridge, Police Levy, Police Pension, Police Communications, Grant Memorial, and Burke Park funds totaling \$2,572, \$2,572, \$1,272, \$386, \$1,172, \$515, and \$515, respectively.
- The Village posted the 1st half state deregulation and \$10,000 Personal Property Exemption receipts as taxes instead of intergovernmental in the Street and Bridge, Police Levy, Police Pension, Police Communications, Grant Memorial, and Burke Park funds totaling \$367, \$165, \$55, \$184, \$73, and \$73, respectively.
- The Village posted all of the first and second half personal property taxes to the General Fund of which \$681, \$306, \$102, \$341, \$136, and \$136 was to be posted to the Street and Bridge, Police Levy, Police Pension, Police Communications, Grant Memorial, and Burke Park funds, respectively.
- The Village posted Delinquent Utility Collections to the Sidewalk Special Assessment fund in the amount of \$692 which should have been posted to the Electric fund.
- The Village posted inside Village kWh tax of \$106,054 to intergovernmental instead of taxes.
- The Village posted excess state deregulation monies as taxes instead of intergovernmental in the General Fund in the amount of \$1,225.
- Investment activity was not properly posted in the cashbook. Various adjustments were made to properly reflect the gains/losses on sales.
- In January 2008 interest earned on investments was not posted. Interest earned for STAR Ohio in the amount of \$172 was incorrectly posted to the Electric Fund instead of statutorily allowable funds (i.e. General, Street Construction, Maintenance, and Repair, State Highway, County Levied Permissive MVL and Municipal Levied Permissive MVL funds).
- Several checks were not properly voided on the cashbook resulting in an overall adjustment total of \$34,799 to the General, Electric, Water, Permissive MVL, Street, Construction, Maintenance, and Repair, Police Levy, Utility Deposits, and Unclaimed Monies funds.
- In 2008 a payment was made from the Water fund for the First Water Mortgage Revenue Bonds. The Water fund should transfer monies to the First Mortgage Revenue Fund to adequately cover debt service payments. Additionally, all expenditures in the First Water Mortgage Revenue Fund were posted as Redemption of Principal. A reclass in the amount of \$32,155 will be made in the First Water Mortgage Revenue Fund to move monies from Redemption of Principal to the Interest and Fiscal Charges. A reclass in the amount of \$12,042 will be made in the Water Fund to move monies from Supplies and Materials to Interest and Fiscal Charges.

**FINDING NUMBER 2008-012
(Continued)**

As a result of these mispostings, receipts and disbursements for certain line items and fund balances were incorrectly reported on the Annual Report. Significant reclassifications and adjustments were made to individual line items and fund balances on the financial statements. The Village posted these adjustments to their accounting records. We recommend due care be exercised and the chart of accounts be utilized when posting entries to prevent errors and assist in proper reflection of the Village's financial activity in their financial accounting system.

FINDING NUMBER 2008-013

Noncompliance Citation / Significant Deficiency

Certification of Funds

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

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

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

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

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 2008-013
 (Continued)**

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

The Village did not properly certify the availability of funds for all purchase commitments during the audit period. There were also unrecorded liabilities that existed at year end in the General, Grant Memorial, Electric, Water funds in the amount of \$527, \$33, \$1,343, \$47 respectively. The adjustments were posted to the financial statements. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances.

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

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

FINDING NUMBER 2008-014

Noncompliance Citation

Budgetary

Ohio Rev. Code, Section 5705.36(A)(4), states that upon determination by the fiscal officer of a subdivision that the revenue to be collected will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. Actual revenue was less than estimated revenues, and the deficiency reduced available resources below the level of 2008 appropriations in the following funds:

	Beginning		Total		
	Unencumbered	Actual	Available		
Fund	Fund Balance	Receipts	Resources	Appropriations	Variance
General Fund	\$ (279,785)	\$ 589,088	\$ 309,303	\$ 795,940	\$ (486,637)

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 2008-015

Noncompliance Citation

Budgetary

Ohio Rev. Code, Section 5705.36(A)(1), requires that on or about the first day of each fiscal year, the fiscal officer is to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year. The Village did not file this certificate until March 31, 2008. We recommend that the certificates be filed as required.

Ohio Rev. Code, Section 5705.36(A)(3), requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. The first amended certificate for 2008 was signed April 2, 2008. We recommend that amended certificates be filed prior to the adoption of the appropriation measure and as needed when revenue fluctuates.

FINDING NUMBER 2008-016

Noncompliance Citation

Deficit Fund Balance

Ohio Rev. Code, Section 5705.10(H), provides that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The following funds had negative fund balances at the end of 2008 fiscal year end:

Fund	Fund Balance
General Fund	\$ (481,396)
Police Pension Fund	(32,322)
Sidewalk Debt Service Fund	(16,625)
Water Fund	(83,575)
Garbage Fund	(4,099)

It was noted that monies were advanced from the Burke Park Fund and Street and Bridge Fund in 2008 to the Skate Park Fund contrary to the purposes of these funds. The advances were repaid by the end of the year. We recommend Council review the restrictions on advances in the future to assure they are legal advances.

FINDING NUMBER 2008-017

Noncompliance Citation / Material Weakness

Accurate Postings to Financial Records

Ohio Rev. Code 5705.10(D) states in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. The Fiscal Officer made the following classification and posting errors to the financial statements and accounting records.

**FINDING NUMBER 2008-017
 (Continued)**

The net adjustments the Village made to their records to increase/decrease fund balances to properly reflect receipts and expenditures in the proper funds, described in detail in Finding Number 2008-012, are as follows:

<u>Fund</u>	<u>Adjustment</u>	<u>Fund</u>	<u>Adjustment</u>
General Fund	\$ (176,424)	Police Levy	6,555
Street Construction, Maintenance and Repair	68,558	Police Pension	(32,359)
State Highway	9,246	Sidewalk Debt Assessment	10,729
Burke Park	17,108	Burke Trust	42,081
Street and Bridge	(2,549)	Electric	(137,004)
Enforcement and Education	2,500	Water	20,094
Drug and Law	3,773	Garbage	(1,035)
Law Enforcement	254	Water 1st Mortgage	619
Permissive Tax	11,644	Utility Deposit	(3,232)
Police Communication	1	Unclaimed Monies	230
Grant Memorial	(1,454)	Mayor's Court	1,793

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

FINDING NUMBER 2008-018

Noncompliance Citation

Transfers

Ohio Rev. Code, Sections 5705.14, 5705.15 and 5705.16, provide guidelines pertaining to allowable interfund transfers. Ohio Rev. Code, Section 5705.14, provides that interfund transfers shall only be made by resolution of the taxing authority. See also 1989 Op. Att'y Gen. No. 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds.) In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by a resolution passed by a two-thirds vote of the taxing authority.

We noted that Ordinance number 1616 approving transfers from the General Fund to Street and Bridge Fund, Grant Memorial Fund, Waste Fund, and Utility Deposit Fund effective December 31, 2008 however, they were not approved until January 12, 2009.

These transfers were made to the cash book, however they were not made to receipt and appropriation ledgers or recorded on the financial statements. The failure to properly approve and record the transfers could allow funds to be transferred contrary to the intent of the Village and also could permit funds to be expended contrary to law. Since these amounts were not reported on the financial statements, an audit adjustment is not warranted, however corrections to the cashbook were posted by the Village.

FINDING NUMBER 2008-019

Noncompliance Citations/Significant Deficiency

Minute Records

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

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

- Ordinances/Resolutions of the Village were not maintained sequentially and accurately in their ordinance and resolution books, some were missing and lacked signatures;
- Minutes were missing from the minute book for five meetings and the appropriate signatures were not maintained in numerous cases, corrections were not duly noted in all cases;
- Mayor's court reports were not provided monthly as required;
- Approval of all budgetary actions was not noted;
- A list of all bids received and acceptance of bid was not always noted;
- Council did not receive financial information monthly from the Fiscal Officer or through the Finance Committee, until July 08;
- Description of reason for executive session was not given on one occasion.
- Hiring, raises and promotions of staff were not always noted in the minutes as approved by Council.
- Transfers were not always approved prior to the transfer occurring.

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

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

FINDING NUMBER 2008-020

Noncompliance Citation

Annual Report

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

FINDING NUMBER 2008-020

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

The report shall contain the following:

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

Upon review of the Village's cash basis annual financial report filed with the Auditor of State for the year ending December 31, 2008, we determined that the Village had not properly recorded all revenues and expenditures that had occurred during the period in the cash basis annual financial report filed with the Auditor of State. The details of the errors are also noted in Finding Numbers 2008-014 and 2008-019. We recommend that the Village follow the chart of accounts in the Village Officers Handbook (revised 3/2008) and report the actual financial activity of the Village when preparing their cash basis annual financial report that is filed with the Auditor of State so that it is not incomplete or misleading.

FINDING NUMBER 2008-021

Noncompliance Citation

Investments

Ohio Rev. Code, Section 135.14(F), states that no treasurer or governing board shall make an investment under this section, unless the treasurer or governing board, at the time of making the investment, reasonably expects that the investment can be held until its maturity. The Village had to cash in all of their investments during February 2008 due to inadequate cash flow planning. The Village lost approximately \$2,000 on one security sold prior to its maturity date. We recommend the Village work to improve its cash flow forecasting.

FINDING NUMBER 2008-022

Noncompliance Citation/Significant Deficiency

Levy Revenues

Ohio Rev. Code, Sections 5705.19(A) and 5705.10(A)

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

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

The Village of Bethel intended to replace an existing tax levy for the Grant Memorial and Burke Park. However, instead of issuing a special levy for that purpose, the Village proposed a tax levy under R.C. 5705.19(A) for "current expenses." When a tax is proposed to be levied under Section 5705.19 (A), Revised Code, the term 'current expenses' must appear on the ballot, and additional words suggesting a limitation within the category of current expenses may not be added to the ballot. A levy under R.C. 5705.19(A) must be available for all current expenses of a subdivision and may not be restricted by ballot language to particular uses. See Ohio Att'y Gen. Op. No. 2007-002 *citing* Ohio Att'y Gen. Op. No. 90-069. Special levies may, however, be restricted by resolution and ballot language to particular uses. " The Village approved Resolution No. 824 on January 24, 2005, declaring the necessity of the levy included the purpose of the levy as for the Grant Memorial Building and Burke Park under R.C. 5705.19(A). The ballot language stated the tax was for "current expenses."

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

As a result of this issue, all tax levy monies, as well as related homestead and rollback monies, received during the audit period in both the Grant Memorial and Burke Park funds, will be moved to the General Fund. In addition, expenditures equal to revenues, will also be moved from the Grant Memorial and Burke Park funds, to the General Fund. In 2008, expenditures did not exceed tax revenue in the Burke Park Fund, thus a fund balance adjustment increasing the General Fund and decreasing the Burke Park Fund in the amount of \$3,940 is necessary. All audit adjustments have been made by the Village to the financial statements and accounting records.

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

**FINDING NUMBER 2008-022
(Continued)**

Officials' Response to All Findings Listed Above:

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

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

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**VILLAGE OF BETHEL
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

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 – Prior Mayor, Kevin Perkins, was overpaid \$833	No	Finding has not been repaid
2007-002	Finding for Recovery – Prior Mayor Travis Dotson was overpaid \$2,212.	No	Finding has not been fully repaid. Partial repayment is being made on a semi-monthly basis.
2007-003	Finding for Recovery – Mary Daugherty received an extra payment and was thus overpaid \$1,418.53	No	Finding has not been repaid
2007-004	Finding for Recovery - Mitch Hatfield for \$426.99 for reimbursement not supported by documentation	No	Finding has not been repaid
2007-005	Finding for Recovery – Robert Collins for \$198 for duplicate payment of medical reimbursement	Yes	Finding was repaid on October 20 and 22, 2009
2007-006	Finding for Recovery – Kelly Terry for \$473.50 for reimbursement not supported by documentation	Yes	Finding was repaid on October 28, 2009
2007-007	Finding for Recovery – Jerry Whitacre for \$293.86 for reimbursements not supported by documentation and not paying office co-pays	Yes	Finding was repaid on December 16, 2009
2007-008	Finding for Recovery – Shane Binger received reimbursement for medical expenses that were also paid to vendor in the amount of \$345	No	Finding has not been repaid

Village of Bethel
 Clermont County
 Schedule of Prior Audit Findings
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2007-009	Finding for Recovery – Kem Gay due to no documentation for reimbursement in amount of \$455.01	No	Finding has not been repaid
2007-010	Material Noncompliance – Mayor's Court: various Ohio Revised Code violations	No	Not Corrected – see Finding Number 2008-008
2007-011	Material Noncompliance – Utilities: utility ordinances were confusing, approved rates were not properly applied, deposits were not timely made, no reconciliations between system reports and bank deposits, and no written policies in place to handle adjustment and penalty waivers.	No	Not Corrected – see Finding Number 2008-009
2007-012	Material Noncompliance – Payroll: various issues and discrepancies regarding the payroll system	No	Not Corrected – see Finding Number 2008-010
2007-013	Material Noncompliance – Medical Reimbursements: Various issues with medical reimbursement documentation, health care plan coverage was not documented and clear.	No	Not Corrected – Finding Number 2008-011
2007-014	Noncompliance Citations/Significant Deficiency – Recordkeeping: ORC 733.28/OAC 117-2-02(A) requires books be kept accurately, however, numerous adjustments were made.	No	Partially Corrected – Finding Number 2008-012
2007-015	Noncompliance Citation: ORC 5705.36(A)(4) – actual revenue was less than estimated revenues and the deficiency reduced available resources below the level of 2007 appropriations	No	Partially Corrected – Finding Number 2008-014

Village of Bethel
 Clermont County
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2007-016	Noncompliance Citation: ORC 5705.41(B) – expenditures exceeded appropriations in several funds in 2007	Yes	Fully Corrected
2007-017	Noncompliance Citation: ORC 5705.41(D)(1) – invoice dates preceded purchase order dates.	No	Not Corrected – Finding Number 2008-013
2007-018	Noncompliance Citation: ORC 5705.36(A)(1) and 5705.36(A)(3) – the total amount from all sources available for expenditures from each fund was not filed in 2006 or 2007. Additionally, increased amended certificates should have been obtained.	No	Not Corrected – Finding Number 2008-015
2007-019	Noncompliance Citation: ORC 5705.38(A) – no appropriation measure was passed in 2006	Yes	Fully corrected
2007-020	Noncompliance Citation: ORC 5705.39 – appropriations exceeded total estimated resources in 2007	Yes	Full corrected
2007-021	Noncompliance Citation: ORC 5705.10(H) – negative fund balances were noted in four funds in 2006 and five funds in 2007	No	Partially corrected – Finding Number 2008-016
2007-022	Noncompliance Citation/ Material Weakness – ORC 5705.10(D): numerous adjustments had to be made to put monies in the correct funds.	No	Not Corrected – Finding Number 2008-017
2007-023	Noncompliance Citation – ORC 5705.14: transfers were made from funds other than the General Fund illegally.	No	Not Corrected – Finding Number 2008-018

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2007-024	Noncompliance Citation/Significant Deficiency – Minute Records: ORC 121.22(c) and 149.43 require accurate records of proceedings to be kept. Several meeting minutes were missing from the minute book.	No	Not Corrected – Finding Number 2008-019
2007-025	Noncompliance Citation – ORC 117.38: financial reports were filed with the AOS, however, they were not accurate.	Yes	Partially Corrected – Finding Number 2008-020
2007-026	Noncompliance Citation – ORC 135.14(O)(1): the Village did not follow their investment policy	Yes	Fully Corrected
2007-027	Noncompliance Citation – Debt Covenants/Disclosure: the Village violated debt covenants and did not properly file disclosures with NRMSIRs and SID.	Yes	Fully Corrected
2007-028	Noncompliance Citation – ORC 5705.19(A) and 5705.10(A) - The Village established a levy for current operating expenses, however levy monies were placed in Grant Memorial and Burke Park special revenue funds, contrary to the requirements of the code the levy was established under.	No	Not corrected - Finding 2008-022



Mary Taylor, CPA
Auditor of State

VILLAGE OF BETHEL

CLERMONT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 18, 2010