



Mary Taylor, CPA
Auditor of State

Village of Bethel
Clermont County, Ohio

Fiscal Emergency Analysis
As of December 31, 2009 and May 31, 2010

Local Government Services Section

Village of Bethel, Clermont County

Fiscal Emergency Analysis

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Declaration of Fiscal Emergency

The Auditor of State performed a fiscal analysis of the Village of Bethel pursuant to Section 118.03 of the Ohio Revised Code. This analysis indicates and it is hereby declared that a fiscal emergency exists at the Village of Bethel as defined by Sections 118.03(A)(5) and 118.03(B) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with James Dick, Mayor of the Village of Bethel; Donna Gunn, President Pro Tempore of Council for the Village of Bethel; Ted Strickland, Governor; Jennifer Brunner, Secretary of State; Kevin L. Boyce, Treasurer of State; J. Pari Sabety, Director of the Office of Budget and Management and Linda Fraley, Secretary of the Clermont County Budget Commission.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

August 24, 2010

Village of Bethel, Clermont County

Fiscal Emergency Analysis

Introduction

As provided by Sections 118.021 and 118.04(A) of the Ohio Revised Code, Mayor James Dick requested that a fiscal analysis be performed by the Auditor of State for the Village of Bethel, Clermont County (the Village). The purpose of the analysis is to determine if the financial condition of the Village justifies the declaration of a fiscal watch or emergency.

A village is placed in fiscal emergency if any one of six conditions described in Section 118.03 of the Ohio Revised Code exists. The six conditions are: 1) default on a debt obligation; 2) failure to make payment of all payroll; 3) an increase in the minimum levy of the village which results in the reduction in the minimum levy of another subdivision; 4) significant past due accounts payable; 5) substantial deficit balances in village funds; and 6) a sizeable deficiency when the village's treasury balance is compared to the positive cash balances of the village's funds.

The year-end conditions described under Conditions four, five, and six of this report do not constitute a fiscal emergency if the Village clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination that the conditions no longer exist at the time of the determination.

This report identifies the procedures performed and the conclusions reached with respect to each condition as of December 31, 2009, and May 31, 2010, the date of determination.

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

We reviewed the outstanding indebtedness of the Village as of May 31, 2010, which consisted of three debt issues. A summary of the Village's outstanding debt is presented below:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Issue Amount</u>
Water First Mortgage Revenue Bonds	4.70%	July 1, 1998	\$1,170,000
Police Cruiser Lease	4.90%	August 21, 2007	35,947
Early Retirement Incentive	N/A	N/A	49,668

We obtained a list of the outstanding debt from the 2008 audited financial statements and reviewed the existing minutes for the period of January 1, 2009, through May 31, 2010 to identify any new debt issues. We identified the payment amounts and dates from amortization schedules and debt proceedings. We obtained the vouchers for the payments made before May 31, 2010, and compared the billing statements, invoices, or requests for payment to the amortization schedules and debt proceedings to determine if the Village met its debt obligations in a timely manner. We also reviewed the billing statements, invoices, and requests for payment for any delinquent amounts. There were no debt payments more than 30 days past due.

The debt issues, the payment dates, and the amounts due and paid prior to the date of determination are presented on the following page:

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<u>Debt Issue</u>	<u>Payment Date</u>	<u>Amount Due</u>	<u>Amounts 30 Days Past Due at 5/31/2010</u>
Water First Mortgage Revenue Bonds	July 1, 2010	\$8,459	\$0
Police Cruiser Lease	June 30, 2010	677	0
Early Retirement Incentive	June 30, 2010	14,850	0

Conclusion: A fiscal emergency condition does not exist under Ohio Revised Code Section 118.03(A)(1). No default on any debt obligation for more than thirty days existed at May 31, 2010.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation, county, or township in the amounts and at the times required by law, ordinances, resolutions, or agreements, which failure of payment has continued:

- (a) For more than thirty days after such time for payment, or
- (b) Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We reviewed the payroll records of the Village as of May 31, 2010. We reviewed the Village Council's minutes and ordinances and had a discussion with the Village Fiscal Officer to determine the employees of the Village, pay rates, frequency of payroll, and whether any extensions for the payment of payroll existed. We reviewed the cash journal and payroll checks to determine whether Village employees had been paid within the time specified by Section 118.03(A)(2)(a) of the Ohio Revised Code.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of May 31, 2010. All employees have been paid in amounts and at the times required by Village ordinance.

Condition Three - Increase in Minimum Levy

Section 118.03(A)(3) of the Ohio Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation, county, or township for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

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We confirmed with the Clermont County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Ohio Revised Code, in the minimum levy of the Village for 2010, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Clermont County Budget Commission indicated that the Commission had not taken any action to increase the inside millage of the Village for 2010 and, therefore, no other subdivision's inside millage was reduced.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code as of May 31, 2010. The Clermont County Budget Commission has not taken any action to increase the inside millage of the Village, thus reducing another subdivision's millage.

Condition Four - Past Due Accounts Payable from the General Fund and All Funds

Section 118.03(A)(4) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year-end balance in the general fund, exceeded one-sixth of the general fund budget for that year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation, county, or township and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in the respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable. Accounts due and payable shall not include any account, or portion thereof, that is being contested in good faith.

We reviewed the accounts payable as of December 31, 2009, that were due and payable from all funds, and that had been due and payable for at least thirty days, or to which a penalty had been added for failure to pay as of December 31, 2009, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties. No accounts payable were found that had been due and payable for at least thirty days, or had penalties for failure to pay. Therefore, no further analysis was performed.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code as of December 31, 2009. There were no accounts payable from any funds which were at least thirty days past due at the end of the year did not exceed one-sixth of the available revenue.

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Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds as of December 31, 2009, by subtracting all accounts payable and encumbrances from the year-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts to those deficit funds. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit.

Schedule I

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5)
As of December 31, 2009

	Cash Fund Balance	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Sixth of the General Fund Budget/Fund Receipts	Provided (Unprovided) Portion of Aggregate Deficit
General Fund	(\$326,509)	(\$27,791)	(\$354,300)	\$102,518	(\$251,782)
Police Pension Fund	(21,707)	0	(21,707)	0	(21,707)
Sidewalk Assessment Fund	(15,905)	0	(15,905)	0	(15,905)
Garbage Enterprise Fund	827	(10,093)	(9,266)	21,145	11,879
Subtotal	(\$363,294)	(\$37,884)	(\$401,178)	\$123,663	(277,515)
Funds Available for Transfer					0
Total Unprovided Portion of Aggregate Deficit Funds					(\$277,515)

Village of Bethel, Clermont County

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Section 118.03(B) of the Ohio Revised Code, provides in part:

Any year-end condition described in division (A)(5) of this section shall not constitute a fiscal emergency condition if the municipal corporation, county, or township clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purpose of such demonstration, there shall be taken into account deficit amounts of deficit funds at the time of such demonstration, rather than at the end of the fiscal year, and there shall be taken into account the moneys and marketable securities in the treasury of the municipal corporation, county, or township at the time of such demonstration that are in the case of division (A)(5) of this section, held for the general fund or any special fund that may be transferred as provided in section 5705.14 of the Ohio Revised Code to meet such deficit, provided that changes from the year-end condition resulting from transfers not authorized pursuant to Chapter 5705 of the Revised Code, borrowings or advances between funds, shall not be taken into account to demonstrate improvement in any fiscal emergency condition.

We computed the adjusted aggregate sum of all deficit funds as of May 31, 2010, by subtracting all accounts payable and encumbrances from the year-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the receipts available to those deficit funds. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit.

Schedule II

Deficit Fund Balances
Ohio Revised Code Section 118.03(B)
As of May 31, 2010

	Cash Fund Balance	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Sixth of the Fund Receipts	Provided (Unprovided) Portion of Aggregate Deficit
General Fund	(\$276,985)	(\$21,249)	(\$298,234)	\$90,758	(\$207,476)
Police Pension Fund	(16,277)	0	(16,277)	98	(16,179)
Police Communications Fund	1,380	(11,730)	(10,350)	106	(10,244)
Sidewalk Assessment Fund	(15,905)	0	(15,905)	0	(15,905)
Subtotal	(\$307,787)	(\$32,979)	(\$340,766)	\$90,962	(249,804)
Funds available for transfer					0
Total Unprovided Portion of Aggregate Deficit Funds					(\$249,804)

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Conclusion: Schedules I and II indicate that a fiscal emergency condition exists under Sections 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as of December 31, 2009, and May 31, 2010. The total unprovided portion of the aggregate deficit funds as of December 31, 2009, and May 31, 2010, are \$278,080 and \$249,804, respectively.

Condition Six - Treasury Deficiency

Section 118.03(A)(6) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, monies and marketable investments in or held for the unsegregated treasury of the municipal corporation, county, or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village's reconciliation of its bank balance to its cash book balance for all funds as of December 31, 2009, which included adding and subtracting reconciling factors to arrive at a treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. We then subtracted from the treasury deficit one-sixth of the total amount received into the treasury during 2009 to determine the treasury deficiency.

Treasury Balance Revised Code Section 118.03(A)(6) As of December 31, 2009		Schedule III
	<u>December 31, 2009</u>	
<u>Bank Cash Balance</u>	\$666,136	
Adjustments:		
Reconciling Items	(12,179)	
Outstanding Checks	<u>(59,025)</u>	
Total Treasury Balance	<u>594,932</u>	

(continued)

Village of Bethel, Clermont County

Fiscal Emergency Analysis

Schedule III
(continued)

Treasury Balance
Revised Code Section 118.03(A)(6)
As of December 31, 2009

	<u>December 31, 2009</u>
<u>Positive Cash Fund Balances</u>	
Street Construction Maintenance and Repair	77,957
Street and Bridge	93,387
State Highway	15,362
Recreation	38,237
Drug Law Enforcement	4,137
Law Enforcement Trust	304
Permissive Motor Vehicle License	28,756
Enforcement and Education	3,440
Court Computer	15,855
Police Communication	4,843
Grant Memorial	3
Police Levy	11,065
Federal Emergency Management Agency	2,048
Bethel Events	1,909
Police Cruiser	1,097
Skate Park	125
Water Operating	53,109
Electric Operating	506,828
Garbage Enterprise	827
Electric Enterprise	6,000
Water Mortgage Debt	251
Utility Deposit	57,044
Unclaimed Money	4,002
Marriage Gratuity	200
Burke Donation	3,800
Burke Scholarship	28,467
Total Positive Cash Fund Balances	<u>959,053</u>
Treasury Deficit	(364,121)
One-sixth Treasury Receipts	<u>807,058</u>
Treasury Receipts in Excess of Treasury Deficit	<u><u>\$442,937</u></u>

Conclusion: Schedule III indicates that a fiscal emergency condition does not exist under Sections 118.03(A)(6) of the Ohio Revised Code. The treasury balance less the positive fund balances did not exceed one-sixth of the treasury receipts as of December 31, 2009.

Summary

A fiscal emergency is the existence of at least one of the above defined conditions. This analysis indicates that a fiscal emergency exists at the Village of Bethel as defined in Section 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as presented in Schedules I and II above as of December 31, 2009, and May 31, 2010.

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Because the above procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you.



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
AUGUST 24, 2010