



**Auditor of State
Betty Montgomery**

VILLAGE OF BETHESDA
BELMONT COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	19

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Bethesda
Belmont County
P.O. Box 95
Bethesda, Ohio 43719

To the Village Council:

We have audited the accompanying financial statements of the Village of Bethesda, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2004, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Village of Bethesda
Belmont County
Independent Accountants' Report
Page 2

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

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

Betty Montgomery
Auditor of State

July 1, 2004

**VILLAGE OF BETHESDA
BELMONT COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$19,697	\$67,136	\$	\$86,833
Intergovernmental Receipts	74,482	117,669		192,151
Charges for Services	2,738	126,356		129,094
Fines, Licenses, and Permits	7,588			7,588
Earnings on Investments	10,470			10,470
Miscellaneous	1,301	3,626		4,927
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	116,276	314,787	0	431,063
Cash Disbursements:				
Current:				
Security of Persons and Property	54,948	151,909		206,857
Public Health Services	1,066			1,066
Leisure Time Activities	11,682	4,000		15,682
Transportation	250	55,285		55,535
General Government	34,936			34,936
Debt Service:				
Principal Payments	814	39,070		39,884
Interest Payments	605	5,766		6,371
Capital Outlay		98,721	246,754	345,475
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	104,301	354,751	246,754	705,806
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	11,975	(39,964)	(246,754)	(274,743)
Other Financing Receipts/(Disbursements):				
Other Debt Proceeds			65,000	65,000
Sale of Fixed Assets	1,300	2,601		3,901
Other Financing Sources	74	148		222
Transfers-In	88	17,498		17,586
Transfers-Out	(17,943)	(2,650)		(20,593)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(16,481)	17,597	65,000	66,116
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(4,506)	(22,367)	(181,754)	(208,627)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	16,643	229,334	261,037	507,014
Fund Cash Balances, December 31	<hr/> \$12,137	<hr/> \$206,967	<hr/> \$79,283	<hr/> \$298,387

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

**VILLAGE OF BETHESDA
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$443,093
Total Operating Cash Receipts	443,093
Operating Cash Disbursements:	
Personal Services	87,659
Fringe Benefits	22,228
Contractual Services	169,035
Supplies and Materials	47,821
Other	25,001
Capital Outlay	393,207
Total Operating Cash Disbursements	744,951
Operating (Loss)	(301,858)
Non-Operating Cash Receipts:	
Special Assessments	6,000
Intergovernmental Receipts	282,231
Other Debt Proceeds	153,812
Other Financing Sources	31
Total Non-Operating Cash Receipts	442,074
Non-Operating Cash Disbursements:	
Redemption of Principal	95,025
Interest and Other Fiscal Charges	45,346
Total Non-Operating Cash Disbursements	140,371
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	(155)
Transfers-In	3,007
Net Cash Receipts Over/(Under) Cash Disbursements	2,852
Fund Cash Balances, January 1	183,860
Fund Cash Balances, December 31	\$186,712
Reserve for Encumbrances, December 31	\$0

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

**VILLAGE OF BETHESDA
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$19,056	\$66,442	\$	\$85,498
Intergovernmental Receipts	78,109	64,260		142,369
Charges for Services	2,045	89,697		91,742
Fines, Licenses, and Permits	8,975			8,975
Earnings on Investments	16,299			16,299
Miscellaneous	5,069	18,918		23,987
	<u>129,553</u>	<u>239,317</u>	<u>0</u>	<u>368,870</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	53,409	123,890		177,299
Public Health Services	839	135		974
Leisure Time Activities	16,236	250		16,486
Transportation	4,071	65,483		69,554
General Government	50,741			50,741
Debt Service:				
Principal Payments		21,911		21,911
Interest Payments		6,868		6,868
Capital Outlay			36,602	36,602
	<u>125,296</u>	<u>218,537</u>	<u>36,602</u>	<u>380,435</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>4,257</u>	<u>20,780</u>	<u>(36,602)</u>	<u>(11,565)</u>
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets		8,750		8,750
Transfers-In		30,741		30,741
Other Financing Sources	31	4		35
Transfers-Out	(34,683)			(34,683)
	<u>(34,652)</u>	<u>39,495</u>	<u>0</u>	<u>4,843</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(30,395)</u>	<u>60,275</u>	<u>(36,602)</u>	<u>(6,722)</u>
Fund Cash Balances, January 1	<u>47,038</u>	<u>169,059</u>	<u>297,639</u>	<u>513,736</u>
Fund Cash Balances, December 31	<u><u>\$16,643</u></u>	<u><u>\$229,334</u></u>	<u><u>\$261,037</u></u>	<u><u>\$507,014</u></u>

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

**VILLAGE OF BETHESDA
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$420,656
Miscellaneous	9,541
	430,197
Operating Cash Disbursements:	
Personal Services	78,908
Fringe Benefits	21,502
Contractual Services	169,399
Supplies and Materials	14,884
Other	17,904
	302,597
Total Operating Cash Disbursements	302,597
Operating Income	127,600
Non-Operating Cash Receipts:	
Special Assessments	6,000
Other Financing Sources	150
	6,150
Total Non-Operating Cash Receipts	6,150
Non-Operating Cash Disbursements:	
Redemption of Principal	81,518
Interest and Other Fiscal Charges	47,193
	128,711
Total Non-Operating Cash Disbursements	128,711
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	5,039
Transfers-In	3,942
Net Cash Receipts Over/(Under) Cash Disbursements	8,981
Fund Cash Balances, January 1	174,879
Fund Cash Balances, December 31	\$183,860
Reserve for Encumbrances, December 31	\$15,800

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

**VILLAGE OF BETHESDA
BELMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Bethesda, Belmont County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, fire and emergency medical services, and police services. The Village is involved with the Bel-O-Mar Regional Council which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Note 8.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

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

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

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

**VILLAGE OF BETHESDA
BELMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire Levy Fund - This fund receives property tax revenues and proceeds from fire contracts to provide fire protection to Village residents and other political subdivisions.

Emergency Medical Services (EMS) Run Fund - This fund receives charges for services from residents and insurance companies to cover the cost of providing emergency medical services.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Municipal Building Construction Fund - This fund received proceeds of the sale of the old Bethesda school building and a loan. The proceeds were used to construct a new municipal building.

4. Enterprise Funds

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

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

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

Sewer Debt Service Fund - This fund receives charges for services from residents which are used to pay scheduled payments on a loan from the Ohio Water Development Authority used to finance a sewage treatment plant.

Barnesville Waterline Project Fund - This fund received proceeds from a loan and an Ohio Public Works Commission grant which were used to construct a waterline and pump station between the Village of Bethesda and the Village of Barnesville.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

**VILLAGE OF BETHESDA
BELMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control for the year ended December 31, 2003 or the object level of control for the year ended December 31, 2002, and appropriations may not exceed estimated resources. The 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

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

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$479,761	\$685,596
STAR Ohio	5,338	5,278
Total deposits and investments	\$485,099	\$690,874

**VILLAGE OF BETHESDA
BELMONT COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village.

Investments: Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$133,204	\$117,738	(\$15,466)
Special Revenue	342,615	335,034	(7,581)
Capital Projects	65,000	65,000	0
Enterprise	941,374	888,174	(53,200)
Total	\$1,482,193	\$1,405,946	(\$76,247)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$146,000	\$122,244	\$23,756
Special Revenue	487,524	357,401	130,123
Capital Projects	261,036	246,754	14,282
Enterprise	651,686	885,322	(233,636)
Total	\$1,546,246	\$1,611,721	(\$65,475)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$134,112	\$129,584	(\$4,528)
Special Revenue	217,450	278,812	61,362
Enterprise	428,133	440,289	12,156
Total	\$779,695	\$848,685	\$68,990

**VILLAGE OF BETHESDA
BELMONT COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$178,846	\$159,979	\$18,867
Special Revenue	394,451	218,537	175,914
Capital Projects	297,638	36,602	261,036
Enterprise	576,585	447,108	129,477
Total	\$1,447,520	\$862,226	\$585,294

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Barnesville Waterline Project Fund by \$393,207 for the year ended December 31, 2003.

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2003, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$796,828	5.00%
General Obligation Bonds - Fire Truck	79,000	5.00%
Municipal Building Promissory Note	64,188	3.76%
Barnesville Waterline Project Promissory Note	144,437	3.76%
Lease - Police Cruiser	3,125	0.00%
Total	\$1,087,578	

The Ohio Water Development Authority (OWDA) loan relates to utility system improvements. The loan will be repaid in semiannual installments of \$64,356, including interest, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF BETHESDA
BELMONT COUNTY**

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

5. DEBT (Continued)

The General Obligation Bonds were issued for the purchase of a fire truck and are collateralized by the Village's taxing authority. These bonds are being repaid from proceeds of a Fire Truck Bond Levy.

The Municipal Building Promissory Note was obtained through a local bank to provide additional funding for the construction of a new municipal building. The loan is collateralized by the Municipal Building and the property on which the building is located. The loan will be repaid from General Fund revenues.

The Barnesville Waterline Project Promissory Note was obtained through a local bank to provide funding for the Village's portion of the cost of the project. The remainder of the cost of the project was funded by a grant from the Ohio Public Works Commission. The loan is collateralized by the Village's depository accounts with the local bank comprised of revenue income streams from the Water Department. The loan will be repaid from proceeds of a water surcharge added to the monthly bill for all water customers of the Village.

The Police Cruiser Lease will be repaid from local government revenues from the County Auditor.

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

	OWDA Loan	General Obligation Bonds	Municipal Building Promissory Note	Barnesville Waterline Promissory Note	Police Cruiser Lease
Year ending December 31:					
2004	\$128,711	\$21,950	\$5,676	\$33,793	\$3,125
2005	128,711	23,050	5,676	33,793	
2006	128,711	22,050	5,676	33,793	
2007	128,711	22,050	5,676	33,793	
2008	128,711		5,676	22,529	
2009 – 2013	321,778		28,380		
2014 – 2018			26,961		
Total	<u>\$965,333</u>	<u>\$89,100</u>	<u>\$83,721</u>	<u>\$157,701</u>	<u>\$3,125</u>

6. RETIREMENT SYSTEMS

The Village's full-time law enforcement officer belongs to the Ohio Police and Fire Pension Funds (OP&F). Other full-time and part-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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

**VILLAGE OF BETHESDA
BELMONT COUNTY**

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

7. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

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

Property Insurance

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2002 and 2001 (the latest information available):

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$20,174,977	\$19,358,458
Liabilities	8,550,749	8,827,588
Retained earnings	\$11,624,228	\$10,530,870

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$2,565,408	\$1,890,323
Liabilities	655,318	469,100
Retained earnings	\$1,910,090	\$1,421,223

**VILLAGE OF BETHESDA
BELMONT COUNTY**

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

8. JOINTLY GOVERNED ORGANIZATION

Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by each local government within Belmont County. The Mayor of the Village of Bethesda serves as the Village's representative on the Board and a Councilman serves as the Village's alternate. The Council is not dependent upon the Village of Bethesda for its continued existence, no debt exists, and the Village does not maintain an equity interest. The Village paid Bel-O-Mar Regional Council \$396 for 2003 annual fees and \$325 for 2002 annual fees.

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Bethesda
Belmont County
P.O. Box 95
Bethesda, Ohio 43719

To the Village Council:

We have audited the accompanying financial statements of the Village of Bethesda, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 1, 2004, wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2003-001 thru 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 1, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 1, 2004.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

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

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

Betty Montgomery
Auditor of State

July 1, 2004

**VILLAGE OF BETHESDA
BELMONT COUNTY**

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

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 733.28 states, in part, that the Village Clerk shall keep the books of the Village, exhibit accurate statements of all monies received and expended, of all the property owned by the Village and the income derived there from, and of all taxes and assessments. In addition, the Auditor of State provided, through Audit Bulletins 2000-004 and 2002-008, the recommended accounting treatment for on-behalf-of grants or loans.

The Village Clerk/Treasurer did not record \$40,000 of Community Development Block grant transactions and \$274,331 of Ohio Public Works Commission grant transactions on their 2003 accounting records or financial statements, in the Special Revenue and Enterprise Funds, respectively. Audit adjustments were made to properly reflect this activity on the accompanying financial statements.

We recommend the Village Clerk/Treasurer refer to Auditor of State Audit Bulletins 2002-004 and 2000-008 and follow the recommended accounting treatment for all monies expended directly to contractors on behalf of the Village.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

The Barnesville Waterline Project Fund had expenditures which exceeded appropriations at December 31, 2003, by \$393,207.

This variance resulted from posting audit adjustments for on-behalf-of grant payments which were not recorded to the Village's ledgers and posting adjustments to agree appropriations to legislatively approved amounts.

We recommend the Village Clerk/Treasurer obtain an amended certificate for on-behalf-of grants, so that Village Council can subsequently appropriate the same.

**VILLAGE OF BETHESDA
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2003-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

The Village Clerk/Treasurer's prior certification of available funds was not obtained for 16% of transactions tested and there was no evidence of a "Then and Now" Certificate being used by the Village Clerk/Treasurer.

We recommend the Village officials or employees obtain the Village Clerk/Treasurer's prior certification of available funds for all disbursements as obligations are incurred.

**VILLAGE OF BETHESDA
BELMONT COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-31007-001	Ohio Rev. Code Section 5705.10 regarding all revenue derived from a specific source shall be credited to a special fund for that purpose.	Yes	N/A
2001-31007-002	Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources.	No	No longer significant; Reported in separate letter to management dated July 1, 2004.
2001-31007-003	Reportable condition regarding posting of receipts into the correct classification.	No	Partially Corrected; Reported in separate letter to management dated July 1, 2004.

--

This Page is Intentionally Left Blank.



**Auditor of State
Betty Montgomery**

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

VILLAGE OF BETHESDA

BELMONT 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 5, 2004**