

***VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 & 2008

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Directors
Village of Bethesda
P.O. Box 95
107 S. Main Street
Bethesda, Ohio 43719

We have reviewed the *Report of Independent Accountants* of the Village of Bethesda, Lawrence County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Bethesda is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 18, 2010

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**VILLAGE OF BETHESDA
BELMONT COUNTY
For the Years Ending December 31, 2009 and 2008**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Bethesda
Belmont County
P.O. Box 95
107 S. Main Street
Bethesda, Ohio 43719

To Village Council:

We have audited the accompanying financial statements of the Village of Bethesda, Belmont County (the Village), as of and for the years ended December 31, 2009 and 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 that 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, 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 years ended December 31, 2009 and 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, 2009 and 2008, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village, as of December 31, 2009 and 2008, and its cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2009 and 2008. 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 April 19, 2010, 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 do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls 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.

Charles E. Harris & Associates, Inc.
April 19, 2010

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, 2009

	Governmental Fund Types			Total
	General	Special Revenue	Capital Projects	(Memorandum Only)
Receipts:				
Property Taxes and Other Local Taxes	\$ 33,800	\$ 50,132	\$ -	\$ 83,932
Charges for Services	-	166,650	-	166,650
Intergovernmental	45,997	150,415	-	196,412
Fines, Licenses and Permits	14,877	-	-	14,877
Interest	2,973	51	-	3,024
Other	9,805	9,065	-	18,870
Total Receipts	107,452	376,313	-	483,765
Disbursements:				
General Government	36,849	-	-	36,849
Security of Persons & Property	50,666	240,615	-	291,281
Public Health Services	-	382	-	382
Transportation	-	62,053	-	62,053
Basic Utility Services	-	2,379	-	2,379
Capital Outlay	-	67,011	-	67,011
Debt Service:				
Principal	5,496	4,050	-	9,546
Interest	2,888	964	-	3,852
Total Disbursements	95,899	377,454	-	473,353
Receipts over(under) disbursements	11,553	(1,141)	-	10,412
Other Financing Sources (Uses)				
Transfers in	-	8,300	-	8,300
Transfers out	(8,300)	-	-	(8,300)
Total Other Financing Sources (Uses)	(8,300)	8,300	-	-
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	3,253	7,159	-	10,412
Fund Balance 1/1/2009	2,772	282,674	163	285,609
Fund Balance 12/31/2009	<u>\$ 6,025</u>	<u>\$ 289,833</u>	<u>\$ 163</u>	<u>\$ 296,021</u>
Reserve for Encumbrances, December 31, 2009	<u>\$ 155</u>	<u>\$ 104</u>	<u>\$ -</u>	<u>\$ 259</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF BETHESDA
 BELMONT COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
 IN FUND BALANCES - ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 311,457
Total Operating Cash Receipts	311,457
Operating Cash Disbursements:	
Personal Services	108,256
Contractual Services	146,601
Supplies and Materials	32,270
Other	70,394
Total Operating Cash Disbursements	357,521
Excess of Receipts Over/(Under) Disbursements	(46,064)
Non-Operating Cash Receipts/(Disbursements)	
Special Assessments	135,000
Miscellaneous	34,471
Redemption of Principal	(115,183)
Interest and Other Fiscal Charges	(13,528)
Total Non-Operating Cash Receipts/(Disbursements)	40,760
Excess of Cash Receipts and Nonoperating Cash Receipts Over (Under) Cash Disbursements and Nonoperating Cash Disbursements	(5,304)
Fund Cash Balances, January 1, 2009	41,165
Fund Cash Balances, December 31, 2009	\$ 35,861
Reserve for Encumbrances, December 31, 2009	\$ 100

See accompanying Notes to the Financial Statements.

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, 2008

	Governmental Fund Types			Total
	General	Special Revenue	Capital Projects	(Memorandum Only)
Receipts:				
Property Taxes and Other Local Taxes	\$ 49,622	\$ 44,508	-	\$ 94,130
Charges for Services	605	134,978	-	135,583
Intergovernmental	78,897	66,691	-	145,588
Fines, Licenses and Permits	24,275	-	-	24,275
Interest	2,822	57	-	2,879
Other	7,767	5,049	-	12,816
Total Receipts	163,988	251,283	-	415,271
Disbursements:				
General Government	62,555	-	-	62,555
Security of Persons & Property	66,866	256,135	-	323,001
Public Health Services	-	30	-	30
Transportation	575	62,303	-	62,878
Leisure time Activities	1,921	-	-	1,921
Basic Utility Services	-	1,221	-	1,221
Capital Outlay	-	-	\$ 1,364	1,364
Debt Service:				
Principal	17,378	26,400	-	43,778
Interest	6,705	811	-	7,516
Total Disbursements	156,000	346,900	1,364	504,264
Receipts over(under) disbursements	7,988	(95,617)	(1,364)	(88,993)
Other Financing Sources (Uses)				
Sale of Fixed Assets	-	4,012	-	4,012
Transfers in	-	13,389	-	13,389
Transfers out	(13,389)	-	-	(13,389)
Total Other Financing Sources (Uses)	(13,389)	17,401	-	4,012
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(5,401)	(78,216)	(1,364)	(84,981)
Fund Balance 1/1/2008	8,173	360,890	1,527	370,590
Fund Balance 12/31/2008	<u>\$ 2,772</u>	<u>\$ 282,674</u>	<u>\$ 163</u>	<u>\$ 285,609</u>
Reserve for Encumbrances, December 31, 2008	<u>\$ 92</u>	<u>\$ 70</u>	<u>\$ -</u>	<u>\$ 162</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF BETHESDA
 BELMONT COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
 BALANCES - ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 303,029
Total Operating Cash Receipts	303,029
Operating Cash Disbursements:	
Personal Services	107,546
Contractual Services	153,958
Supplies and Materials	22,940
Other	39,779
Total Operating Cash Disbursements	324,223
Excess of Receipts Over/(Under) Disbursements	(21,194)
Non-Operating Cash Receipts/(Disbursements)	
Special Assessments	135,000
Miscellaneous	33,265
Redemption of Principal	(131,870)
Interest and Other Fiscal Charges	(19,236)
Total Non-Operating Cash Receipts/(Disbursements)	17,159
Excess of Cash Receipts and Nonoperating Cash Receipts Over (Under) Cash Disbursements and Nonoperating Cash Disbursements	(4,035)
Fund Cash Balances, January 1, 2008	45,200
Fund Cash Balances, December 31, 2008	\$ 41,165
Reserve for Encumbrances, December 31, 2008	\$ 65

See accompanying Notes to the Financial Statements.

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Bethesda, (the Village) is a body corporate and politic established for the purpose of exercising 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 general governmental services, including water and sewer, park operations (leisure time activities), and police and fire services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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.)

The 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 and disbursements, respectively.

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

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of “Fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- Street Construction Maintenance & Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.
- Fire Levy Fund – This fund receives property tax revenues and proceeds of 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.

Capital Projects Funds: This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant Capital Projects fund:

- Capital Projects Fund – This fund receives grant funding from state and federal agencies and proceeds of various debt issues for various Village capital projects.

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

Proprietary Fund Types:

Enterprise Funds: These funds account for operations that are similar to private business enterprises where management intends that the significant costs or 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 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.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk-Treasurer, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E BUDGETARY PROCESS – (Continued)

1. Estimated Resources – (Continued)

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if Clerk-Treasurer identifies increases or decreases in revenue. The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2008 and 2009.

Budget receipts, as shown in Note 5, do not include the unencumbered fund balances as of January 1, 2008 and 2009. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is at the fund, function and object level in all funds.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 5.

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay 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. CASH AND INVESTMENTS

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$ 326,074	\$ 322,952
STAROhio	<u>5,808</u>	<u>3,822</u>
Total deposits and investments	<u>\$ 331,882</u>	<u>\$ 326,774</u>

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 or (3) collateralized by the financial institution's public entity deposit pool.

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

3. PROPERTY TAX

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

3. PROPERTY TAX – (Continued)

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. Tangible personal property taxes were phased out in 2009.

The Belmont County Treasurer collects property tax on behalf of all taxing Villages within the county. The Belmont County Auditor periodically remits to the taxing Village their portions of the taxes collected.

4. DEFINED BENEFIT PENSION PLANS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides 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 2009 and 2008, OPERS members contributed 10 percent of their wages. During 2009 and 2008 the Village contributed an amount equal to 14 percent of participants' gross wages. The Village has paid all contributions required through December 31, 2009.

5. BUDGETARY ACTIVITY

<u>Fund Type</u>	<u>2009 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 166,000	\$ 107,452	\$ (58,548)
Special Revenue	546,500	384,613	(161,887)
Capital Projects	-0-	-0-	-0-
Enterprise	524,000	480,928	(43,072)

<u>Fund Type</u>	<u>2009 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 168,772	\$ 104,354	\$ 64,418
Special Revenue	822,807	377,558	445,249
Capital Projects	163	-0-	163
Enterprise	565,165	486,332	78,843

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

5. BUDGETARY ACTIVITY (Continued)

<u>2008 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$ 178,319	\$ 163,988	\$ (14,331)
Special Revenue	304,000	268,684	(35,316)
Capital Projects	-0-	-0-	-0-
Enterprise	504,750	471,294	(33,456)

<u>2008 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General	\$ 190,006	\$ 169,481	\$ 20,525
Special Revenue	660,306	346,970	313,336
Capital Projects	1,527	1,364	163
Enterprise	549,950	475,394	74,556

6. DEBT

Debt outstanding at December 31, 2009 was as follow:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 183,825	5.0%
Municipal Building – Promissory Note	<u>56,950</u>	5.6%
Total	<u>\$ 240,775</u>	

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. These loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates at a sufficient level to cover OWDA debt service requirements.

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. The loan will be repaid from General Fund revenues.

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

6. DEBT (Continued)

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

Year Ending December 31:	<u>OWDA Loan</u>	<u>Municipal Building</u>
2010	\$ 128,712	\$ 8,384
2011	64,356	8,384
2012	-0-	8,384
2013	-0-	8,384
2014	-0-	8,384
2015- 2018	<u>-0-</u>	<u>25,152</u>
Total	<u>\$ 193,068</u>	<u>\$ 67,072</u>

7. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 governments (“Members”).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each Member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member’s deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts which vary from Member to Member.

Plan Members are responsible to notify the Plan of their intent to renew coverages by their renewal date. If a Member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former Member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been significant reductions in insurance coverage from last year.

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

7. RISK MANAGEMENT - (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>5,286,781</u>	<u>4,273,553</u>
Member's Equity	<u>\$ 5,184,333</u>	<u>\$ 6,862,902</u>

The Village also provides health insurance coverage to full-time employees through a private carrier.

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 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 \$469 for 2008 and 2009 fees.

9. TRANSFERS

During 2009 the Village made the following transfers:

Fund	Transfers In	Transfers Out
General Fund	\$ -0-	\$ 8,300
Special Revenue Funds:		
Police Levy Fund	<u>8,300</u>	<u>-0-</u>
Total	<u>\$ 8,300</u>	<u>\$ 8,300</u>

During 2008 the Village made the following transfers:

Fund	Transfers In	Transfers Out
General Fund	\$ -0-	\$ 13,389
Special Revenue Funds:		
Police Levy Fund	<u>13,389</u>	<u>-0-</u>
Total	<u>\$ 13,389</u>	<u>\$ 13,389</u>

**VILLAGE OF BETHESDA
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

9. TRANSFERS – (Continued)

The transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

10. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

11. BUDGETARY NONCOMPLIANCE

The Village had the following citation for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.36**, the Village did not request an amended certificate of resources when it was determined that collections would be less than the budgeted amount.
- Contrary to **Ohio Rev. Code Section 5705.41(D)**, the Village did not obtain prior certification for expenditures.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Bethesda
Belmont County
P.O. Box 95
107 S. Main Street
Bethesda, Ohio 43719

To the Village Council:

We have audited the financial statements of the Village of Bethesda, Belmont County (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 19, 2010, wherein we noted the Village followed the cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. 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.

Internal Controls 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of 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 internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider significant deficiencies in internal control over financial reporting. We consider finding 2009-VBBC-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 several instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-VBBC-002 and 2009-VBBC-003.

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

We noted certain matters that we have reported to management of the Village in a separate letter dated April 19, 2010.

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

Charles E. Harris & Associates, Inc.

April 19, 2010

**VILLAGE OF BETHESDA
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 & 2008**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

**FINDING NUMBER 2009-VBBC-001
Significant Deficiency**

Incorrect Accounting Transactions

During the audit of the Village's financial records for the years ended December 31, 2009 and 2008 we noted a number of transactions incorrectly recorded, a number of receipts and disbursements incorrectly reported in the annual financial reports. The financial statements have been adjusted to present the accounting information correctly and the Village has agreed with the required reclassifications and adjustments. Below is a listing of the various erroneous accounting transactions:

- Debt Service was incorrectly reported and was reclassified to the proper line items;
- The purchase of an ambulance during 2009 was not included in Capital Outlay;
- During 2009 and 2008, the Village incorrectly reported intergovernmental receipts as Other.

We recommend that the Village closely follow the Village Officer's Handbook and the Ohio Revised Code when recording transactions. We also recommend that the Fiscal Officer contact the Auditor of State for additional guidance as needed.

Village Response

We will closely follow the Village Officer's Handbook and the Ohio Revised Code when recording transactions and will seek additional guidance as needed.

**FINDING NUMBER 2009-VBBC-002
Noncompliance Citation**

Ohio Revised Code Section 5705.41 (D)(1), requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

**VILLAGE OF BETHESDA
BELMONT COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009 & 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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**FINDING NUMBER 2009-VBBC-002
(Continued)**

There are several exceptions to the standard requirement state 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.

"Then and Now" Certificate – If the fiscal officer can certify that both at the time 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 \$3,000 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 expenditure by the Village.

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.

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.

**VILLAGE OF BETHESDA
BELMONT COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009 & 2008**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

**FINDING NUMBER 2009-VBBC-002
Noncompliance Citation
(Continued)**

16 of 60 transactions tested for 2009 and 2008 did not include prior certification of the availability of funds by the Fiscal Officer nor was there any evidence of a “Then and Now” certificate being used by the Fiscal Officer. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

We recommend the Village’s management implement procedures to gain fiscal control over expenditures. Purchase orders containing the required certification should be utilized to certify the availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

Village Response

The Fiscal Officer has reviewed budgetary requirements, including purchasing.

**FINDING NUMBER 2009-VBBC-003
Noncompliance Citation**

Ohio Revised Code Section 5705.36 allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

**VILLAGE OF BETHESDA
BELMONT COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009 & 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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**FINDING NUMBER 2009-VBBC-003
Noncompliance Citation
(Continued)**

The following funds had actual revenues which were less than budgeted revenues in the following amounts at December 31, 2009:

	Variance
General Fund	\$ (58,548)
Special Revenue Funds:	
Street M & R Fund	(724)
State Highway Fund	(827)
Street Levy	(3,341)
Police Levy Fund	(14,807)
Fire Levy Fund	(10,790)
EMS Run Fund	(131,692)
Enterprise Funds:	
Water Operating Fund	(20,808)
Sewer Operating Fund	(12,264)
Water & Sewer Deposits Fund	(10,000)

The following funds had actual revenues which were less than budgeted revenues in the following amounts at December 31, 2008:

	Variance
General Fund	\$ (14,331)
Special Revenue Funds:	
Street M & R Fund	(11,340)
State Highway Fund	(615)
Police Levy Fund	(12,149)
Fire Levy Fund	(13,246)
EMS Run Fund	(4,230)
Enterprise Funds:	
Water Operating Fund	(9,541)
Sewer Operating Fund	(11,982)
Water & Sewer Deposits Fund	(11,995)

**VILLAGE OF BETHESDA
BELMONT COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009 & 2008**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

**FINDING NUMBER 2009-VBBC-003
Noncompliance Citation
(Continued)**

By not amending its certificate of estimated resources, the Village cannot make reasonable decisions regarding the monies it has available for appropriation and expenditure. The Village Council should monitor its budgeted revenues versus its actual revenues throughout the year and amend its certificate of estimated resources accordingly.

Village Response

The Fiscal Officer has reviewed budgetary requirements and will implement required changes.

VILLAGE OF BETHESDA
BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-VBBC-001	The Village had incorrect accounting entries.	NO	Repeated as finding # 2009-VBBC-001
2007-VBBC-002	Contrary to Ohio Rev. Code Section 5705.41(D)(1), the Village did not properly certify all expenditures.	NO	Repeated as finding # 2009-VBBC-002.
2007-VBBC-003	Contrary to Ohio Rev. Code Section 5705.39, the Village had appropriations in excess of Total Estimated Resources.	NO	Repeated in the management letter.



Mary Taylor, CPA
Auditor of State

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
JUNE 1, 2010**