



Dave Yost • Auditor of State

**Village of Bethel
Clermont County**

Fiscal Emergency Termination

Local Government Services

Village of Bethel, Clermont County

Fiscal Emergency Termination

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Village of Bethel Financial Forecast
For the Years Ending December 31, 2013 through December 31, 2017

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Dave Yost • Auditor of State

CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the Village of Bethel, the Auditor of State performed an analysis of the Village of Bethel to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the Village of Bethel no longer meets the fiscal emergency conditions set forth in Section 118.03 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the Village of Bethel and its role in the operation of the Village of Bethel is terminated as of October 17, 2013.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Alan Ausman, Mayor of the Village of Bethel; Rev. Jeremiah Hembree, President Pro-Tempore of Village Council; John Kasich, Governor; Timothy Keen, Director of the Office of Budget and Management; Josh Mandel, Treasurer of State; Jon Husted, Secretary of State; and Linda Fraley, Clermont County Auditor.

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DAVE YOST
Auditor of State

October 17, 2013

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Village of Bethel, Clermont County

Report on the Termination of the Village of Bethel
Financial Planning and Supervision Commission

Report on the Termination of the Bethel Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission (the Commission) of the Village of Bethel, Clermont County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Revised Code should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, and no new fiscal emergency conditions have occurred...; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”.

Results of our work under Section 118.27(A) of the Revised Code are as follows:

Pages four through nine of the report indicate that the Village has effectively implemented a financial accounting and reporting system in accordance with Section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under Section 118.04 of the Revised Code. This analysis can be found beginning on page nine.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with Section 118.06 of the Revised Code. Specific conclusions can be found on page fourteen.

We examined and issued a non-adverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated.

It is understood that this report’s determination is for the use of the Financial Planning and Supervision Commission of the Village of Bethel, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the Village of Bethel, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

Report on the Termination of the Village of Bethel
Financial Planning and Supervision Commission

Section 1 - Financial Accounting and Reporting System

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of Bethel (the Village) and issued a Report on Accounting Methods, dated February 19, 2013. The report identified areas where the Village's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report on Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct these issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary System

Auditor of State Comment from Report on Accounting Methods

Budgeted revenues and appropriations in the accounting system do not agree with the most current supporting documents. Amendments should be posted to the accounting system after approval by Council for appropriations and the budget commission. The Fiscal Officer should compare budgeted amounts in the accounting system to the current amended certificate and appropriations measures as passed by Council to ensure that recorded amounts are accurate.

Implemented

Budgeted revenues and appropriations in the accounting system agree with the most current supporting documents. Amendments are posted to the accounting system after approval by Council for appropriations and the budget commission. The Fiscal Officer compares budgeted amounts in the accounting system to the current amended certificate and appropriations measures as passed by Council to ensure that recorded amounts are accurate.

Receipt Transactions

Auditor of State Comment from Report on Accounting Methods

Separation of duties should be provided within the Mayor's Court receipt and deposit duties to ensure accuracy as well as checks and balances. To segregate duties, a utility clerk could take the daily receipts and recount the total for preparation of the deposit slip as well as check the total against the daily receipt total posted on the Mayor's Court system.

Village of Bethel, Clermont County

Report on the Termination of the Village of Bethel
Financial Planning and Supervision Commission

Implemented

Separation of duties have been established within the Mayor's Court receipt and deposit duties to ensure accuracy as well as checks and balances. A utility clerk double checks the amount of deposits to the deposit slips as well as the daily receipt total posted on the Mayor's Court system.

Auditor of State Comment from Report on Accounting Methods

The Village should either deposit Mayor's Court receipts daily or approve a deposit policy that permits a different time period for depositing. This policy cannot exceed three business days following the day of the receipt as long as the receipts can be safeguarded until the monies are deposited and do not exceed \$1,000.

Implemented

The Village has adopted a deposit policy that states all money collected by the Mayor's Court and other departments is to be deposited daily. The policy states that miscellaneous receipts must be deposited every three business days or when the amount received exceeds \$1,000, whichever occurs first. The Village is adhering to the policy and is depositing money daily.

Auditor of State Comment from Report on Accounting Methods

The Village needs a written set of procedures for cash collected and remitted properly. The Village should adopt a policy for each department that receives cash to ensure there are procedures for issuing receipts, safe guarding the cash until it is deposited with the bank or Fiscal Officer, and the supporting documentation that is required to be given to the Fiscal Officer to support the receipt.

Implemented

The Village has adopted a written set of procedures for cash collections and proper remittance. The Village has adopted a policy for each department that receives cash to ensure there are procedures for issuing receipts, safeguarding the cash until it is deposited with the bank or Fiscal Officer, and the supporting documentation that is required to be given to the Fiscal Officer to support the receipt.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods

Council has not passed a resolution setting the amount of blanket purchase orders as required by Section 5705.41 (D) of the Ohio Revised Code. Blanket purchase orders used without Council having set a limit are not valid because the Village does not have the authority to use blanket purchase orders. Council should establish, by resolution, the maximum amount for blanket purchase orders to be issued by the Fiscal Officer.

Implemented

Council has passed ordinance number 1712 establishing the amount of blanket purchase orders as required by Section 5705.41 (D) of the Ohio Revised Code. The amount established is \$25,000.

Village of Bethel, Clermont County

Report on the Termination of the Village of Bethel
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The Village does not have a formal purchasing policy, and purchasing procedures for the Village are not documented. A purchasing policy for the Village should be developed, presented to Village Council for approval and distributed to all departments.

Implemented

The Village has implemented a formal purchasing policy and purchasing procedures for the Village. The purchasing policy for the Village has been approved by Village Council and distributed to all departments.

Auditor of State Comment from Report on Accounting Methods

The Village does not follow their current card policy. The Village should revise the current policy so that it identifies authorized users, has guidelines for allowable purchases, unallowable purchases, reporting, monitoring of use by appropriate levels of management, and other guidelines deemed appropriate by Council.

Implemented

The Village follows their current card policy. The current policy identifies authorized users, has guidelines for allowable purchases, unallowable purchases, reporting, monitoring of use by appropriate levels of management, and other guidelines deemed appropriate by Council.

Payroll Processing

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer is not maintaining adequate personnel files. A file should be maintained for each employee including such information as Federal Form W-4, State Form IT-4, and OPERS Personal History Record, as well as pay rate information.

Implemented

The Fiscal Officer is maintaining adequate personnel files. A file is maintained for each employee including such information as Federal Form W-4, State Form IT-4, and OPERS Personal History Record, as well as pay rate information. The files for each employee are locked inside of a filing cabinet inside the Fiscal Officer's office.

Auditor of State Comment from Report on Accounting Methods

Leave request forms are used within the Police Department.

Implemented

Leave request forms are now used within all departments of the Village.

Village of Bethel, Clermont County

Report on the Termination of the Village of Bethel
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The Village policy for vacation leave requires employees to obtain leave approval in advance by the department head. Leave request forms should be completed and approved in all Village departments for vacation leave prior to leave being taken.

Implemented

Leave request forms are completed and approved in all Village departments for vacation leave prior to leave being taken. Each department supervisor is responsible for approving leave requests.

Inventory of Capital Assets

Auditor of State Comment from Report on Accounting Methods

The Village does not maintain an inventory of capital assets. Without an inventory of capital assets, the Village is unable to determine if there is adequate insurance coverage, whether assets have been lost or stolen, whether idle assets exist that can be sold to generate additional revenue, and whether assets are used in the most efficient manner. The Village should develop an inventory of all capital assets and update it annually. The Village should adopt policies and procedures to account for capital assets and develop an inventory of all capital assets.

Implemented

The Village maintains an inventory of capital assets and updates it annually or when necessary. The Village has also adopted policies and procedures to account for capital assets and developed an inventory of all capital assets.

Cash Management

Auditor of State Comment from Report on Accounting Methods

The bank reconciliation completed by the Fiscal Officer is showing a reoccurring variance of \$2,550.83. This reconciling item has been carried on the reconciliation for over a year and needs to be documented and posted.

Implemented

The reconciling item identified on the bank reconciliation for \$2,550.83 has been documented and posted to the general fund.

Audit Report and Management Letters

The Village Council and Officials receive a compliance and management letter at the conclusion of each annual audit. The letters that accompanied the December 31, 2009 and 2010 audit identified several noncompliance issues and several recommendations.

Village of Bethel, Clermont County

Report on the Termination of the Village of Bethel
Financial Planning and Supervision Commission

The following discussion outlines the compliance issues and material weaknesses that were identified in the audit report:

1. The Village was not making timely deposits of receipts or disbursements in connection with the Mayor's Court. Beginning in 2013, the Mayor's Court is now depositing money in a timely manner.
2. The Mayor's court reports, which are required to be submitted to Village Council by the first Monday of each month, were not found to have consistently been submitted and noted in the Village's minutes. During 2013, the Mayor's Court began submitting reports to Council on time and the receipt of these reports were noted in the minutes.
3. The Village is required to collect additional court costs and is required to be submitted to the Treasurer of State. These monies were not always submitted by the required date. These additional court costs are being collected and are being submitted timely.
4. Bank reconciliations for the Mayor's Court had not been completed. Bank reconciliations are now being performed by the Fiscal Officer on a monthly basis.
5. Village disbursements did not always receive prior certification of the Fiscal Officer at the time of commitment. The Village has minimal occurrences when prior certification is not always received; however, the Fiscal Officer is certifying purchases before commitments are made and are utilizing "Then and Now" certificates when appropriate.
6. The official certificate of estimated resources was not amended when actual receipts to be collected were found to be less than the amount on the official certificate. Actual revenue was less than estimated revenues, and the deficiency reduced available resources below the level of 2009 appropriations in the General Fund. The current Fiscal Officer is amending the official certificate of estimated resources as conditions change throughout the year. If changes are necessary, the Fiscal Officer also examines appropriations for possible changes.
7. At the end of 2009, the Village had negative fund balances which indicated that money from one fund was used to cover expenses of another. Currently, all of the Village's fund balances are positive.
8. During 2009, Village appropriations exceeded total resources available in the General Fund. The current Fiscal Officer is monitoring both estimated and actual receipts and disbursements. If changes are necessary, the Fiscal Officer is presenting Council with the necessary information.
9. All revenue derived from any general levy for current expense in excess of the ten-mill limitation shall be paid into the General Fund. All revenue is being posted correctly and to the correct funds.
10. Unless a policy is adopted with limited exceptions and the monies can be safeguarded appropriately, all public money must be deposited with the Fiscal Officer or with the designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. During 2013, the Village has adopted a written set of procedures for cash collections and proper remittance. The Village has adopted a policy for each department that receives cash to ensure there are procedures for issuing receipts, safeguarding the cash until it is deposited with the bank or Fiscal Officer, and the supporting documentation that is required to be given to the Fiscal Officer to support the receipt.
11. The Village did not have a written internal control policy that addresses the agency's use and disposition of all fine moneys in the Drug Law Enforcement Fund. The Village has a written policy in place which addresses the use of monies in the Drug Law Enforcement Fund.
12. The Village did not have a written internal control policy that addresses the use of monies received from the Law Enforcement Trust Fund along with spending appropriations properly in accordance with the policy. The Village has a written policy in place which addresses the use of monies in the Law Enforcement Trust Fund.

Village of Bethel, Clermont County

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Financial Planning and Supervision Commission

13. The latest written, approved investment policy was not on file with the Auditor of State. The Village's current investment policy is on file with the Auditor of State.
14. The Village had an updated public records policy; however, the policy was not approved in the Council minutes, it was not placed in the employee handbook, it was not distributed to employees, nor was the policy posted in public areas. The policy has been approved, it is included in the Village's employee handbook, and is posted in public areas.
15. The Village did not always maintain complete and detailed Council minutes. The Village's ordinance book was not complete and up-to-date. The Village's minutes are now complete and includes sufficient detail. The Village's ordinance book is currently complete and up-to-date.

In addition, the management letter made several recommendations including the Village's need for more and better usage of password protections and system access, a disaster recovery plan, payroll and/or contracted employees review, an updated travel policy, leave forms should be filled out and filed by every employee, debt payments should be posted properly, proper posting of estimated receipts to the accounting system, and regular reconciliations of utility deposits should be performed. The Village has corrected all of the recommendations listed above with the exception of utility deposit reconciliations. The Village has upgraded their current software system in order to produce reports that allow them to perform these reconciliations. The Village is still working with their software vendor to complete this recommendation. These items will not prevent termination of the Financial Planning and Supervision Commission.

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(2) of the Ohio Revised Code, the Village shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the 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.

A summary of the Village's outstanding debt as of December 31, 2012, is as follows:

<u>Debt Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>
Water First Mortgage Revenue Bonds	July 1, 1998	4.70%	\$1,170,000

We reviewed the outstanding indebtedness as of December 31, 2012. The Village had \$270,000 in outstanding debt at December 31, 2012 and had made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code. No default on any debt obligation for more than thirty days existed at December 31, 2012.

Village of Bethel, Clermont County

Report on the Termination of the Village of Bethel
Financial Planning and Supervision Commission

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the 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 in the amounts and at the times required by laws, 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 December 31, 2012. We reviewed Council minutes, ordinances, resolutions, and had discussions with the 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 cancelled checks to determine whether Village employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Revised Code as of December 31, 2012. All employees had been paid in amounts and at the times required by ordinance.

Condition Three - Increase in Minimum Tax Levy

Section 118.03(A)(3) of the 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 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.

We confirmed with the Clermont County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the Village for 2012 or 2013, 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 for tax year 2012 or 2013 to increase the inside millage of the Village.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as of December 31, 2012.

Village of Bethel, Clermont County

Report on the Termination of the Village of Bethel
Financial Planning and Supervision Commission

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

Section 118.03(A)(4) of the 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 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 the 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 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, less the year end balance in the general fund and in the respective special funds lawfully available to pay such accounts, excluded 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.

We prepared a schedule of accounts payable as of December 31, 2012, for all funds that were due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2012, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties. From this amount, we subtracted the year-end fund balance available to pay such outstanding bills. Since the available fund balance exceeded the accounts payable, no further calculations were necessary.

Schedule I

Accounts Payable From All Funds Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2012

	Payables Over 30 Days Past Due	Fund Balance Available	Balance Available In Excess of Payables
	<u> </u>	<u> </u>	<u> </u>
Street Construction			
Maintenance and Repair	\$29	\$126,236	\$126,207
Police Levy	25	41,408	41,383
Water	28	139,695	139,667
Electric	86	1,305,743	1,305,657
Total	<u>\$168</u>	<u>\$1,753,036</u>	<u>\$1,752,868</u>

Conclusion: Schedule I indicates that a fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code as of December 31, 2012. The accounts payable which were over thirty days past-due from all funds, less the year-end balance in the respective special funds did not exceed their available balances.

Village of Bethel, Clermont County

Report on the Termination of the Village of Bethel
Financial Planning and Supervision Commission

Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the 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 at December 31, 2012, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code. There were no deficit fund balances at December 31, 2012.

Condition Six - Treasury Balances

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

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation 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 reconciled bank balance to its cash summary by fund for all funds as of December 31, 2012, which included subtracting reconciling factors to arrive at the 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. No further calculations were necessary because the treasury balance equaled the sum of all fund cash balances.

Village of Bethel, Clermont County

Report on the Termination of the Village of Bethel
Financial Planning and Supervision Commission

Schedule II

Treasury Balances
Ohio Revised Code Section 118.03(A)(6)
As of December 31, 2012

Bank Cash Balance	
Community Savings Bank	\$1,658,180
River Hills Bank	184,607
STAROhio	6,935
Certificates of Deposit	750,000
<i>Total Bank Cash</i>	<u>2,599,722</u>
<i>Adjustments for:</i>	
Outstanding Checks	(57,758)
Other	(12,161)
<i>Total Adjustments</i>	<u>(69,919)</u>
<i>Total Treasury Balance</i>	<u>2,529,803</u>
Less: Positive Cash Fund Balances	
General	139,954
Street Construction, Maintenance and Repair	126,236
Street and Bridge Construction	47,505
State Highway	8,080
Burke Park	12,731
Drug Law Enforcement	4,337
Law Enforcement Trust	736
Permissive	25,965
Police Pension	2,349
Enforcement and Education	2,855
Court Computer	19,564
Police Communications	1,792
Grant Memorial	1,488
Police Levy	41,408
Bethel Events	1,936
Bethel Police K9 Fund	400
Police Cruiser	1,097
Water Operating	139,695
Electric Operating	1,305,743
Garbage Enterprise Operating	28,420
Water Enterprise Improvement	197,914
Electric Enterprise Improvement	245,896
Water Mortgage Debt	8,236
Utility Deposit	136,167
Unclaimed Monies	4,133
Marriage Gratuity	50
Burke Scholarship	25,116
<i>Total Positive Balances</i>	<u>2,529,803</u>
Treasury Deficiency	<u>\$0</u>

Village of Bethel, Clermont County

Report on the Termination of the Village of Bethel
Financial Planning and Supervision Commission

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of December 31, 2012. The treasury balance less the positive fund cash balances as of December 31, 2012, did not exceed one-sixth of the treasury receipts for the year.

Section 3 - Financial Plan Objectives

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

Section 4 - Financial Forecast

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under Section 118.27(A)(4) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

DISCLAIMER

Because the preceding 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 herein.

APPENDIX A

**Village of Bethel
Clermont County**

Financial Forecast

For the Years Ending December 31, 2013 through December 31, 2017

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Village of Bethel, Ohio

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Dave Yost • Auditor of State

Village Council
Village of Bethel
120 N. Main St.
Bethel, Ohio 45106

Based upon the requirement set forth in section 118.27(A)(4) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures, expenses, and changes in fund balance of the various funds of the Village of Bethel, for the five years ending December 31, 2017. These statements are presented on the budget basis of accounting used by the Village of Bethel rather than on generally accepted accounting principles. The Village of Bethel's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the Village of Bethel and the Financial Planning and Supervision Commission of Bethel and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST
Auditor of State

October 2, 2013

Village of Bethel, Clermont County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For The Years Ended December 31, 2010, Through 2012, Actual
For The Years Ending December 31, 2013, Through 2017, Forecasted
General Fund

	2010	2011	2012
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
<u>Revenues</u>			
Property Taxes	\$85,603	\$59,545	\$55,669
Other Local Taxes	107,401	108,530	102,307
Charges for Services	139,511	142,023	140,965
Fines, Licenses, and Permits	64,235	69,525	54,444
Intergovernmental	163,522	159,253	133,685
Interest	8	1,089	12,222
Other	3,607	5,320	6,090
	<u>563,887</u>	<u>545,285</u>	<u>505,382</u>
<u>Expenditures</u>			
Security of Persons and Property			
Police Enforcement			
Personal Services	142,104	150,605	172,846
Fringe Benefits	90,054	68,272	65,698
Contractual Services	10,680	474	3,431
Other	20,000	0	0
	<u>262,838</u>	<u>219,351</u>	<u>241,975</u>
Total Security of Persons and Property			
Public Health Services			
Payment to County Health District			
Other	6,420	6,421	6,230
Cemetery			
Contractual Services	0	0	0
	<u>6,420</u>	<u>6,421</u>	<u>6,230</u>
Total Public Health Services			
Leisure Time Activities			
Provide and Maintain Parks			
Contractual Services	0	0	0
Cultural Facilities			
Personal Services	2,400	2,400	2,400
Contractual Services	2,505	1,269	1,317
Materials and Supplies	3,414	2,461	2,141
	<u>8,319</u>	<u>6,130</u>	<u>5,858</u>
Total Cultural Facilities			
Total Leisure Time Activities			
	<u>\$8,319</u>	<u>\$6,130</u>	<u>\$5,858</u>

<u>2013</u> <u>Forecasted</u>	<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>
\$56,451	\$56,451	\$56,451	\$56,451	\$56,451
107,000	102,307	102,307	102,307	102,307
151,460	152,352	155,219	158,143	161,126
63,500	66,500	66,500	66,500	66,500
111,083	88,361	88,361	88,361	88,361
13,000	13,000	13,000	13,000	13,000
7,065	5,000	5,000	5,000	5,000
<u>509,559</u>	<u>483,971</u>	<u>486,838</u>	<u>489,762</u>	<u>492,745</u>
205,000	219,564	232,200	244,705	257,940
86,261	94,468	109,789	117,666	126,598
0	0	0	0	0
0	0	0	0	0
<u>291,261</u>	<u>314,032</u>	<u>341,989</u>	<u>362,371</u>	<u>384,538</u>
5,857	6,175	6,175	6,175	6,175
1,500	0	0	0	0
<u>7,357</u>	<u>6,175</u>	<u>6,175</u>	<u>6,175</u>	<u>6,175</u>
5,000	2,000	2,000	2,000	2,000
2,400	2,400	2,400	2,400	2,400
2,000	1,300	1,300	1,300	1,300
1,500	2,000	2,000	2,000	2,000
<u>5,900</u>	<u>5,700</u>	<u>5,700</u>	<u>5,700</u>	<u>5,700</u>
<u>\$10,900</u>	<u>\$7,700</u>	<u>\$7,700</u>	<u>\$7,700</u>	<u>\$7,700</u>

(continued)

Village of Bethel, Clermont County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For The Years Ended December 31, 2010, Through 2012, Actual
For The Years Ending December 31, 2013, Through 2017, Forecasted
General Fund
(continued)

	2010 Actual	2011 Actual	2012 Actual
Community Environment			
Community Planning and Zoning			
Personal Services	\$3,243	\$2,358	\$4,789
Fringe Benefits	550	315	742
Contractual Services	0	0	0
Other	342	483	0
Total Community Environment	<u>4,135</u>	<u>3,156</u>	<u>5,531</u>
General Government			
Mayor / Administrator			
Personal Services	4,000	3,998	9,612
Fringe Benefits	385	306	1,174
Total Mayor / Administrator	<u>4,385</u>	<u>4,304</u>	<u>10,786</u>
Legislative Activities			
Personal Services	14,323	11,894	6,903
Fringe Benefits	1,728	1,444	1,244
Contractual Services	2,015	14,528	20,907
Total Legislative Activities	<u>18,066</u>	<u>27,866</u>	<u>29,054</u>
Mayor's Court			
Personal Services	4,838	6,253	1,043
Fringe Benefits	18,933	420	35
Contractual Services	2,400	2,610	8,775
Materials and Supplies	733	678	268
Total Mayor's Court	<u>26,904</u>	<u>9,961</u>	<u>10,121</u>
Fiscal Officer			
Personal Services	20,000	18,833	10,500
Fringe Benefits	0	3,224	1,808
Contractual Services	1,260	3,185	990
Supplies and Materials	964	775	602
Total Fiscal Officer	<u>22,224</u>	<u>26,017</u>	<u>13,900</u>
Land/Buildings			
Personal Services	5,989	1,808	0
Fringe Benefits	955	314	0
Contractual Services	1,774	8,688	6,017
Supplies and Materials	0	8,513	3,433
Capital Outlay	0	1,507	0
Total Lands/Buildings	<u>\$8,718</u>	<u>\$20,830</u>	<u>\$9,450</u>

2013 Forecasted	2014 Forecasted	2015 Forecasted	2016 Forecasted	2017 Forecasted
\$4,800	\$4,800	\$4,800	\$4,800	\$4,800
745	745	745	745	745
3,500	3,500	3,500	3,500	3,500
0	0	0	0	0
9,045	9,045	9,045	9,045	9,045
7,180	9,215	9,300	9,550	9,645
2,395	2,608	2,680	2,814	2,908
9,575	11,823	11,980	12,364	12,553
5,000	18,200	18,200	18,200	18,200
875	2,660	2,660	2,660	2,660
17,500	17,500	17,500	17,500	17,500
23,375	38,360	38,360	38,360	38,360
2,700	2,883	3,062	3,247	3,442
445	503	534	567	601
9,000	9,300	9,300	9,300	9,300
250	250	250	250	250
12,395	12,936	13,146	13,364	13,593
6,900	7,140	7,560	8,010	8,511
2,050	2,466	2,611	2,775	2,965
1,000	1,050	1,103	1,158	1,216
500	500	500	500	500
10,450	11,156	11,774	12,443	13,192
0	0	0	0	0
0	0	0	0	0
23,000	7,500	7,500	7,500	7,500
4,000	4,000	4,000	4,000	4,000
0	0	0	0	0
\$27,000	\$11,500	\$11,500	\$11,500	\$11,500

(continued)

Village of Bethel, Clermont County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For The Years Ended December 31, 2010, Through 2012, Actual
For The Years Ending December 31, 2013, Through 2017, Forecasted
General Fund
(continued)

	2010 Actual	2011 Actual	2012 Actual
Property Tax Collection Fees			
Contractual Services	\$2,422	\$2,817	\$2,905
Auditor of State Fees			
Contractual Services	12,000	0	7,110
Other General Government			
Fringe Benefits	3,273	5,000	1,000
Contractual Services	10,690	15,000	8,781
Supplies and Materials	8,190	437	57
Other	0	0	8,059
Total Other General Government	22,153	20,437	17,897
Total General Government	116,872	112,232	101,223
Debt Service			
Principal Payment	8,084	8,614	8,603
Total Expenditures	406,668	355,904	369,420
Excess of Revenues Over (Under) Expenditures	157,219	189,381	135,962
<u>Other Financing Uses</u>			
Transfers Out	0	(16,362)	0
Net Change in Fund Balance	157,219	173,019	135,962
Fund Balance (Deficit) Beginning of Year	(326,509)	(169,290)	3,729
Fund Balance (Deficit) End of Year	(\$169,290)	\$3,729	\$139,691

2013 Forecasted	2014 Forecasted	2015 Forecasted	2016 Forecasted	2017 Forecasted
\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
5,000	0	5,000	0	5,000
408	449	494	543	597
10,008	10,300	10,615	10,946	11,294
0	250	250	250	250
4,091	4,000	4,000	4,000	4,000
14,507	14,999	15,359	15,739	16,141
104,802	103,274	109,619	106,270	112,839
5,881	0	0	0	0
429,246	440,226	474,528	491,561	520,297
80,313	43,745	12,310	(1,799)	(27,552)
0	0	0	0	0
80,313	43,745	12,310	(1,799)	(27,552)
139,691	220,004	263,749	276,059	274,260
<u>\$220,004</u>	<u>\$263,749</u>	<u>\$276,059</u>	<u>\$274,260</u>	<u>\$246,708</u>

Village of Bethel, Clermont County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For The Years Ended December 31, 2010, Through 2012, Actual
For The Years Ending December 31, 2013, Through 2017, Forecasted
Police Pension Fund

	2010 Actual	2011 Actual	2012 Actual
	<u> </u>	<u> </u>	<u> </u>
<u>Revenues</u>			
Property Taxes	\$9,450	\$9,242	\$8,591
Intergovernmental	1,378	1,228	1,128
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>10,828</u>	<u>10,470</u>	<u>9,719</u>
<u>Expenditures</u>			
Security of Persons and Property			
Police Enforcement			
Fringe Benefits	0	0	7,200
General Government			
Property Tax Collection Fees			
Contractual Services	162	159	170
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>162</u>	<u>159</u>	<u>7,370</u>
Excess of Revenues Over (Under) Expenditures	10,666	10,311	2,349
<u>Other Financing Sources</u>			
Transfers In	0	730	0
	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balance	10,666	11,041	2,349
Fund Balance (Deficit) Beginning of Year	<u>(21,707)</u>	<u>(11,041)</u>	<u>0</u>
Fund Balance (Deficit) End of Year	<u><u>(\$11,041)</u></u>	<u><u>\$0</u></u>	<u><u>\$2,349</u></u>

<u>2013</u> <u>Forecasted</u>	<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>
\$8,476	\$8,468	\$8,468	\$8,468	\$8,468
<u>789</u>	<u>779</u>	<u>779</u>	<u>779</u>	<u>779</u>
<u>9,265</u>	<u>9,247</u>	<u>9,247</u>	<u>9,247</u>	<u>9,247</u>
11,000	9,040	9,040	9,040	9,040
<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>
<u>11,200</u>	<u>9,240</u>	<u>9,240</u>	<u>9,240</u>	<u>9,240</u>
(1,935)	7	7	7	7
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(1,935)	7	7	7	7
<u>2,349</u>	<u>414</u>	<u>421</u>	<u>428</u>	<u>435</u>
<u>\$414</u>	<u>\$421</u>	<u>\$428</u>	<u>\$435</u>	<u>\$442</u>

Village of Bethel, Clermont County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For The Years Ended December 31, 2010, Through 2012, Actual
For The Years Ending December 31, 2013, Through 2017, Forecasted
Police Communications Fund

	2010 <u>Actual</u>	2011 <u>Actual</u>	2012 <u>Actual</u>
<u>Revenues</u>			
Property Taxes	\$12,119	\$10,944	\$11,553
Intergovernmental	<u>1,964</u>	<u>1,397</u>	<u>1,337</u>
Total Revenues	<u>14,083</u>	<u>12,341</u>	<u>12,890</u>
<u>Expenditures</u>			
Security of Persons and Property			
Police Enforcement			
Materials and Supplies	0	9,000	0
Other	<u>11,730</u>	<u>0</u>	<u>21,000</u>
Total Police Enforcement	11,730	9,000	21,000
General Government			
Property Tax Collection Fees			
Contractual Services	<u>203</u>	<u>195</u>	<u>236</u>
Total Expenditures	<u>11,933</u>	<u>9,195</u>	<u>21,236</u>
Net Change in Fund Balance	2,150	3,146	(8,346)
Fund Balance Beginning of Year	<u>4,843</u>	<u>6,993</u>	<u>10,139</u>
Fund Balance End of Year	<u><u>\$6,993</u></u>	<u><u>\$10,139</u></u>	<u><u>\$1,793</u></u>

<u>2013</u> <u>Forecasted</u>	<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>
\$11,537	\$11,638	\$11,638	\$11,638	\$11,638
945	1,071	1,071	1,071	1,071
<u>12,482</u>	<u>12,709</u>	<u>12,709</u>	<u>12,709</u>	<u>12,709</u>
0	0	0	0	0
<u>13,200</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>
13,200	12,000	12,000	12,000	12,000
<u>300</u>	<u>303</u>	<u>303</u>	<u>303</u>	<u>303</u>
<u>13,500</u>	<u>12,303</u>	<u>12,303</u>	<u>12,303</u>	<u>12,303</u>
(1,018)	406	406	406	406
<u>1,793</u>	<u>775</u>	<u>1,181</u>	<u>1,587</u>	<u>1,993</u>
<u>\$775</u>	<u>\$1,181</u>	<u>\$1,587</u>	<u>\$1,993</u>	<u>\$2,399</u>

Village of Bethel, Clermont County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For The Years Ended December 31, 2010, Through 2012, Actual
For The Years Ending December 31, 2013, Through 2017, Forecasted
Sidewalk Assessments Fund

	2010 <u>Actual</u>	2011 <u>Actual</u>	2012 <u>Actual</u>
<u>Revenues</u>			
Special Assessments	\$69	\$218	\$0
<u>Expenditures</u>			
General Government			
Property Tax Collection Fees			
Contractual Services	<u>3</u>	<u>11</u>	<u>0</u>
Excess of Revenues Over Expenditures	66	207	0
<u>Other Financing Sources</u>			
Transfers In	<u>0</u>	<u>15,632</u>	<u>0</u>
Net Change in Fund Balance	66	15,839	0
Fund Balance (Deficit) Beginning of Year	<u>(15,905)</u>	<u>(15,839)</u>	<u>0</u>
Fund Balance (Deficit) End of Year	<u><u>(\$15,839)</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

<u>2013</u> <u>Forecasted</u>	<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>
\$0	\$0	\$0	\$0	\$0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Village of Bethel, Clermont County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2013, through 2017

Note 1 - The Village

The Village of Bethel is located in southwest Ohio in Clermont 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. Operating as a statutory village, Bethel must comply with all State laws regulating village government. The decision making process is directed by an elected Village Council and Mayor. The Village Council is the legislative authority of the Village and consists of six members who are elected at large and serve terms of four years. The Mayor is the chief executive officer of the Village and serves a term of four years. The Village also has a Village Administrator which assists the Mayor and Village Council.

On August 24, 2010, the Auditor of State's Office declared the Village of Bethel to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor, President Pro Tempore of Village Council, three individuals whose residency or principal place of business is within the Village, and a designee from both the State Treasurer's Office and the Office of Budget and Management. This Commission is required to adopt a financial recovery plan for the Village. Once the plan has been adopted, the Village's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

The Village of Bethel provides general governmental services including police, street construction and maintenance, park maintenance and recreation, water, refuse, and electric services. The operation of each of these activities is directly controlled by the Village Council through the budgetary process. The administration includes the Mayor, the Village Administrator, and the Fiscal Officer.

Note 2 - Nature of Presentation

This financial forecast presents, to the best of the Village's knowledge and belief, the expected revenues, expenditures, expenses, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village's judgment, as of October 2, 2013, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the Village. These funds include:

General Fund – The General Fund is the operating fund of the Village and is used to account for and report all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Police Pension Fund - This fund accounts for and reports property tax receipts restricted to pay a portion of the Village's share of police personnel pension liability.

Police Communications Fund - This fund accounts for and reports property tax receipts restricted to pay for charges billed by Clermont County for 911 dispatch fees.

Village of Bethel, Clermont County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2013, through 2017

Sidewalk Assessments Fund - This fund accounted for and reported special assessment receipts restricted to pay principal and interest payments of the Sidewalk Special Assessment Bonds. The bonds were paid off in 2007; however, because of delinquent assessments, the fund continued to receive monies to help cover the deficit fund balance.

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. 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 segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The General Fund is the operating fund of the Village and is used to account for and report all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

Debt Service Funds - Debt service funds are used to account for and report resources that are restricted, committed, or assigned to disbursement for principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for and report resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital assets (other than those financed by the enterprise funds).

Village of Bethel, Clermont County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2013, through 2017

Proprietary Funds

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Village's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the Village, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriation for the full year is not ready for approval by Village Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Village of Bethel, Clermont County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2013, through 2017

Note 4 - General Revenue Assumptions - All Funds

A. Property Taxes

Property tax revenues consist of real property, public utility real and personal property, and prior to 2011, tangible personal property taxes. The Village may request advances from the Clermont County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”.

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2008 for the taxes collected in 2009. A triennial update was completed in 2011 for taxes collected in 2012. The next reappraisal is scheduled to take place in 2014 for taxes collected in 2015. The Village’s assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	2009	2010	2011	2012
Real Property				
Residential and Agricultural	\$23,725,760	\$23,776,090	\$21,341,390	\$21,636,310
Commercial and Industrial	10,327,180	10,167,050	8,368,940	8,458,150
Public Utility Personal Property	634,140	681,750	699,800	727,710
General Personal Property	36,117	0	0	0
Total Assessed Value	<u>\$34,723,197</u>	<u>\$34,624,890</u>	<u>\$30,410,130</u>	<u>\$30,822,170</u>

The property tax revenues are generated from inside and voted millage receipted into the General Fund, the Police Pension Fund, the Police Communications Fund, Police Levy Fund, and the Street and Bridge Construction and Replacement Fund.

The levies being collected by fund, the year approved, and the full tax rate are as follows:

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Fund	Tax Levies	Year Approved/ Renewed	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per \$1,000 of Assessed Valuation)
General Fund	Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$2.00
Police Pension Fund	Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	0.30
Police					
Communications Fund	Current Expense	1984	1985	n/a	1.00
Police Levy Fund	Current Expense	2010	2011	2016	2.90
Street and Bridge					
Construction and Replacement Fund	Current Expense	2011	2012	2017	2.00
Total Tax Rate					\$8.20

Public utility real and personal property taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies.

Real Property - Property values are expected to remain stagnant throughout the forecast period despite a complete tax reappraisal scheduled to be completed in 2014 and collected in 2015. Based on information provided by the Clermont County Auditor, these revenues are expected to remain relatively unchanged.

Tangible Personal Property - Tangible personal property taxes have had a number of changes in the past several years. Effective for tax years 2005 and 2006, the assessment rate on inventory was to be reduced by 2 percent if the total statewide collections of personal property taxes for the second preceding year exceeded the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by 2 percent per year until completely phased out, regardless of the growth in collections.

Beginning in 2006, House Bill 66 will phase out, by 25 percent each year, tangible personal property tax on most businesses' inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase-out periods addressed above. No tangible personal property taxes have been levied or collected since 2009 from general business taxpayers, except telephone companies whose last year to pay tangible personal property tax was 2010. The State of Ohio reimburses the Village for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Intergovernmental Revenues).

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B. Intergovernmental Revenues

Intergovernmental revenues include local government monies and property tax allocations for rollback, homestead, and tangible personal property loss reimbursements. The local government funds are distributed monthly by the State to the Village and by the County Auditor to the Village. The property tax allocations for rollback, homestead, and tangible personal property are received from the State and are based on information provided by the County Auditor.

Beginning in 2006, the State reimbursed the Village for lost revenue due to the phase-out of tangible personal property tax. In the first five years, the Village was fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, the reimbursements are phased-out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the Village is only reimbursed for the difference between the amounts that would have been received under the prior law and amounts actually received as the phase-outs in House Bill 66 are implemented.

In 2011, HB153 accelerates the phase-out of the tangible personal property tax reimbursements by two percentage points per year based on the entity's 2010 tax year reimbursements.

State law grants tax relief in the form of a 10 percent reduction in residential real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the Village for the loss of real property taxes caused by the homestead and rollback tax relief programs.

In tax collection year 2008, the State granted an additional homestead exemption for the first \$25,000 in market value. This exemption increases property tax allocation receipts and decreases general property tax receipts by an equal amount.

In prior years, the State exempted the first \$10,000 in tangible personal property from taxation. In prior years, the State reimbursed the Village for the lost revenue. In 2004, the State began to phase-out the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period was accelerated. The last reimbursement for this exemption was in October 2008.

Section 503.12(B) of House Bill 66 established a Task Force to study potential sources of State funding for the local government and the local government revenue assistance programs that have the capacity for growth and stability in the funding levels and that considers the changes to the Ohio tax code. In December 2006, the Task Force submitted a report to the Governor and to the General Assembly setting forth its recommendations. The State Budget bill for fiscal years 2008 and 2009 replaced the percentage of tax methodology with a percentage of tax receipts formula. In general, the formula proposes that the three local government funds at the State level receive a percentage of the general revenue fund tax receipts in total collected by the State. In 2011, HB153 made reductions in the local government funding for fiscal years 2012 and 2013. These reductions will be approximately 25 percent and 50 percent less than 2011 funding amounts for 2012 and 2013, respectively. No increases are projected for future years.

In 2013, the Village will receive \$81,260 in local government monies. The Village expects to receive \$81,268 each year for years 2014 through 2017. The decreases are due to the reductions in the State budget for local government funding.

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Note 5 - Specific Fund Revenue Assumptions

A. General Fund

Other Local Taxes – The Village receives a kilowatt per hour tax due to the Village providing electric services to its citizens. The kilowatt per hour tax is based on electric usage. This revenue is affected by weather conditions and has varied slightly from 2010 to 2013. Due to the unpredictability of weather conditions and no anticipated change in the tax rate, these revenues are anticipated to remain consistent with the amount received in 2012.

Charges for Services – The significant revenues are derived mostly from rents charged to the Water and Electric departments for building rentals. Village Council passed Ordinances to establish the amount of monthly rent collected from these funds. Rates are anticipated to increase every year during the length of the forecast. The Village also collects rental revenue from individuals or groups who rent out the Community Center. Revenue from these rentals is expected to remain relatively constant throughout the forecast period.

Fines, Licenses, and Permits – Police tickets written have increased due to increased enforcement and additional tickets being written compared to prior years. Court cost fees have also increased due to additional tickets along with the Mayor’s Court Clerk filing for additional fees that the previous Clerk was not filing for. The Village has increased zoning enforcement along with increasing permit fees. Also, the Village receives revenue via cable franchise fees through an agreement with Time Warner Cable. These revenues are expected to remain relatively unchanged throughout the forecast.

Interest – Interest revenue has increased from 2010 to 2012. The Village has more money available to invest in Certificates of Deposit along with receiving a better interest rate than in prior years on their deposits. These revenues are expected to remain relatively unchanged throughout the forecast.

B. Police Pension Fund

Property Taxes – The Village receives property tax revenue from inside millage. Property values are expected to remain stagnant throughout the forecast period despite a complete tax reappraisal scheduled to be completed in 2014 and collected in 2015.

C. Police Communications Fund

Property Taxes – The Village receives property tax revenue from a continuous levy passed by voters in 1984. Property values are expected to remain stagnant throughout the forecast period despite a complete tax reappraisal scheduled to be completed in 2014 and collected in 2015.

D. Sidewalk Assessments Fund

Special Assessments – The Village received special assessment revenues that were assessed to property owners to be used to pay principal and interest payments of the Sidewalk Special Assessment Bonds. The bonds were paid off in 2007; however, because of delinquent assessments, the fund continued to receive monies to help cover the deficit fund balance. During 2011, it was determined that all delinquent assessments had been collected. Therefore, the Village transferred monies from the General Fund to the Sidewalk Assessments Fund to cover the remaining deficit. No additional revenues are anticipated to be received.

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Note 6 - Expenditure Assumptions - All Funds

A. Personal Services

Personal services include the salaries paid to the employees and elected officials of the Village. The Village's employees are paid on a bi-weekly basis. The Mayor and Village Council are paid monthly. The Fiscal Officer is paid bi-monthly. Village Council, by resolution, sets the salary or hourly rates and other forms of compensation, such as paid leave. Based on an analysis performed by the fiscal officer, it was determined that some employee wages were below the average wages of comparable-sized Villages. Village Council has passed a resolution for employee salaries for 2014. The rates approved match those of the analysis. The forecast reflects employee salaries that attempt to raise wages to comparable levels over the forecast period.

The Village Council consists of six members with an annual salary of \$3,000 per member beginning January 1, 2014, if in attendance at all regular meetings. If the Mayor, who is president of Council, is unable to attend, the President Pro-Tempore conducts the meeting in his place. If this occurs, the President Pro-Tempore is paid an additional \$100 in addition to their normal compensation. No additional increases are anticipated during the forecast period. Village Council is paid from the General Fund.

Beginning January 1, 2014, the Mayor's annual salary will be \$6,000. No additional increases are anticipated during the forecast period. The Mayor is paid from the General Fund.

Beginning January 1, 2014, the Village Administrator's annual salary will be \$64,300, five percent of which will be paid from the General Fund. The remaining salary will be paid from the Street and Bridge Construction and Maintenance, Water, and Electric Funds.

Beginning January 1, 2014, the Fiscal Officer's annual salary will be \$47,600, 15 percent of which will be paid from the General Fund. The remaining salary will be paid from the Street and Bridge Construction and Maintenance, Water, and Electric Funds.

Beginning January 1, 2014, the Mayor's Court Clerk hourly rate will be \$14.84 per hour. The individual who performs this function typically only works eight to ten hours per pay in this position, so the impact on the General Fund is minimal.

The Zoning / Code Enforcement Officer will continue to be paid \$4,800 annually which is consistent with prior years. The Zoning / Code Enforcement Officer is paid from the General Fund.

Currently, the Village has four full-time police officers, three part-time police officers, and auxiliary police officers are utilized when necessary. Auxiliary officers must work 24 hours per month unpaid before they start receiving compensation for time worked. The forecasted salaries for both full and part-time officers follow the salary analysis performed by the Fiscal Officer along with 2014 estimates being approved by Village Council in the 2014 salary resolution. The increases vary over the forecasted period.

The Village also pays a retired individual to maintain the Bethel Historical Museum. The salary is \$2,400 per year. The salary is not anticipated to change during the forecast period.

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In prior years, the Village paid a part-time individual for janitorial services associated with the Municipal Building. When the individual resigned during 2011, the Village began contracting with a cleaning company to provide those services. This arrangement is expected to continue with no increases currently anticipated.

B. Fringe Benefits

Fringe benefits include employer contributions to the State pension system, workers' compensation, and Medicare. The Village also offers health care, dental, vision and supplemental life insurance to all full time employees.

All employees and/or elected officials, except full time police officers, participate in the Ohio Public Employees Retirement System (OPERS). Full time police officers participate in the Ohio Police and Fire Pension Fund (OP&F). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual salary and the Village is required to contribute 14 percent (the maximum) of their annual salary. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual salary and the Village is required to contribute 19.5 percent (the maximum) of their annual salary. No elected officials pay into social security.

The Village offers all full time employees health care, in which the premium year runs from November to October of the following year. The Village currently pays 100 percent of health care premiums. As employees utilize the coverage, the Village also pays deductibles and out-of-pocket costs for each employee. These range from \$2,000 to \$4,000 maximums depending on the type of coverage (single, single with dependents, or married). The Village has seen minimal to no increases in premiums over the past few years. However, beginning November 2013, the Village has been informed that premiums will increase 15 percent. Based on the current unpredictable nature of health care, an 18 percent increase in premiums is forecasted each year starting in 2015 with no increases to the deductible or out-of-pocket maximums paid by the Village.

The Village provides both dental and vision coverage and offers coverage to all full time employees. The Village offers a maximum benefit each year of \$1,500 for dental and \$1,500 for vision. Claims are handled by a third party administrator Claimlinx. These benefits are not anticipated to increase during the forecast period.

The Village also provides supplemental life insurance to all full time employees. The benefit is currently \$480 per year per employee. No increases are anticipated in this benefit during the forecast period.

Other Village officials are offered additional allowances. For example, the Police Chief receives a \$540 per year cell phone allowance. When applicable, these allowances were included as part of the forecast with no significant increases expected.

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Workers' compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The Village has taken steps to decrease their workers compensation premium over the past few years in order to receive a better rate. An increase of five percent is projected each year during the forecast period. Unless claims increase significantly, the impact of these increases will be minimal.

C. Contractual Services

Contractual services include professional services related to repairs and maintenance of buildings and parks, software and maintenance agreements for computers and other equipment, property and liability insurance, postage, advertising, legal fees, property tax collection fees, and accounting and auditing services. Audits will be performed in 2013, 2015, and 2017 and will be paid from the General Fund, Street and Bridge Construction and Maintenance, Water, and Electric Funds.

The Village contracts for legal services with a Prosecutor and Magistrate to administer court cases associated with the Mayor's Court. The forecast is based on the Prosecutor and Magistrate providing services for 20 hearings per year.

Property tax collection fees are paid to the Clermont County Auditor and Treasurer and are expected to remain relatively consistent throughout the forecast period. These fees coincide with property tax collections, so if property tax collections increase or decrease, these fees will follow the same trend.

For 2013 through 2017, property and fleet insurance is anticipated to increase approximately five percent throughout the forecast period.

All other contractual services are expected to either remain unchanged throughout the forecast or will increase slightly.

D. Supplies and Materials

Supplies and materials expenditures include office supplies, cleaning supplies, and miscellaneous small items to be used for minor maintenance and repairs. Supplies and materials are anticipated to remain relatively consistent throughout the forecast period.

E. Other

The Village pays a portion of the operating costs associated with the County Health District, which provides services to its citizens. This payment is expected to remain consistent throughout the forecast. The Village is also involved in the United States Department of Agriculture eradication program of the Asian Longhorned Beetle which has impacted parts of Clermont County. The Village's cost associated with this program is approximately \$3,500 each year and will continue throughout the forecast.

F. Principal Payments

In prior years, the Village received and deposited monies that were received from Time Warner Cable in error. When the error was discovered, the Village determined that the money was to be returned to the original sender. Therefore, a scheduled payment plan was arranged with the Village paying back these amounts over a period of time. The final payment will be made during forecast year 2013. The Village does not expect any additional principal payments during the forecast period.

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Note 7 - Other Funds

The Village has several other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

Note 8 - Pending Litigation

The Village is party to legal proceedings. However, since this legal claim was just recently filed, the Village management does not know what type of impact, if any, this could have on the financial condition of the Village.



Dave Yost • 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
OCTOBER 17, 2013