



Dave Yost • Auditor of State

VILLAGE OF BETTSVILLE
SENECA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Bettsville
Seneca County
308 Emma Street
Bettsville, Ohio 44815-0505

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Bettsville, Seneca County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Bettsville, Seneca County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 14, 2016

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$19,011	\$38,301	\$57,312
Municipal Income Tax	154,219		154,219
Intergovernmental	55,657	39,907	95,564
Charges for Services	49,273	7,620	56,893
Fines, Licenses and Permits	9,633		9,633
Earnings on Investments	1,926	113	2,039
Miscellaneous	7,448	6,275	13,723
<i>Total Cash Receipts</i>	<u>297,167</u>	<u>92,216</u>	<u>389,383</u>
Cash Disbursements			
Current:			
Security of Persons and Property	84,118	299	84,417
Public Health Services	1,142		1,142
Leisure Time Activities		22,074	22,074
Community Environment	5,141		5,141
Transportation		35,938	35,938
General Government	112,019		112,019
Capital Outlay	90,088		90,088
<i>Total Cash Disbursements</i>	<u>292,508</u>	<u>58,311</u>	<u>350,819</u>
<i>Excess of Receipts Over Disbursements</i>	<u>4,659</u>	<u>33,905</u>	<u>38,564</u>
Other Financing Receipts (Disbursements)			
Transfers In		10,000	10,000
Transfers Out	(10,000)		(10,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(10,000)</u>	<u>10,000</u>	
<i>Net Change in Fund Cash Balances</i>	(5,341)	43,905	38,564
<i>Fund Cash Balances, January 1</i>	<u>481,495</u>	<u>67,702</u>	<u>549,197</u>
Fund Cash Balances, December 31			
Restricted		111,607	111,607
Assigned	120,872		120,872
Unassigned	355,282		355,282
<i>Fund Cash Balances, December 31</i>	<u>\$476,154</u>	<u>\$111,607</u>	<u>\$587,761</u>

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

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$385,918		\$385,918
Earnings on Investments		\$388	388
<i>Total Operating Cash Receipts</i>	<u>385,918</u>	<u>388</u>	<u>386,306</u>
Operating Cash Disbursements			
Personal Services	64,202		64,202
Employee Fringe Benefits	18,231		18,231
Contractual Services	49,938		49,938
Supplies and Materials	26,445		26,445
<i>Total Operating Cash Disbursements</i>	<u>158,816</u>		<u>158,816</u>
<i>Operating Income</i>	<u>227,102</u>	<u>388</u>	<u>227,490</u>
Non-Operating Disbursements			
Principal Retirement	(60,607)		(60,607)
Interest and Other Fiscal Charges	(96,782)		(96,782)
<i>Total Non-Operating Disbursements</i>	<u>(157,389)</u>		<u>(157,389)</u>
<i>Net Change in Fund Cash Balances</i>	69,713	388	70,101
<i>Fund Cash Balances, January 1</i>	<u>784,965</u>	<u>157,629</u>	<u>942,594</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$854,678</u></u>	<u><u>\$158,017</u></u>	<u><u>\$1,012,695</u></u>

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

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$19,494	\$42,431	\$61,925
Municipal Income Tax	141,621		141,621
Intergovernmental	42,335	38,298	80,633
Charges for Services	42,660	28,958	71,618
Fines, Licenses and Permits	11,042		11,042
Earnings on Investments	1,844	108	1,952
Miscellaneous	6,681	12,073	18,754
<i>Total Cash Receipts</i>	<u>265,677</u>	<u>121,868</u>	<u>387,545</u>
Cash Disbursements			
Current:			
Security of Persons and Property	102,790	300	103,090
Public Health Services	1,364		1,364
Leisure Time Activities		74,095	74,095
Community Environment	2,900		2,900
Transportation		35,079	35,079
General Government	119,242		119,242
Capital Outlay		829	829
Debt Service:			
Principal Retirement		15,832	15,832
Interest and Fiscal Charges		542	542
<i>Total Cash Disbursements</i>	<u>226,296</u>	<u>126,677</u>	<u>352,973</u>
<i>Net Change in Fund Cash Balances</i>	39,381	(4,809)	34,572
<i>Fund Cash Balances, January 1</i>	<u>442,114</u>	<u>72,511</u>	<u>514,625</u>
Fund Cash Balances, December 31			
Restricted		67,702	67,702
Assigned	133,587		133,587
Unassigned	347,908		347,908
<i>Fund Cash Balances, December 31</i>	<u>\$481,495</u>	<u>\$67,702</u>	<u>\$549,197</u>

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

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$376,561		\$376,561
Earnings on Investments		\$512	512
<i>Total Operating Cash Receipts</i>	<u>376,561</u>	<u>512</u>	<u>377,073</u>
Operating Cash Disbursements			
Personal Services	62,064		62,064
Employee Fringe Benefits	16,340		16,340
Contractual Services	67,180		67,180
Supplies and Materials	72,105		72,105
Other	200		200
<i>Total Operating Cash Disbursements</i>	<u>217,889</u>		<u>217,889</u>
<i>Operating Income</i>	<u>158,672</u>	<u>512</u>	<u>159,184</u>
Non-Operating Disbursements			
Capital Outlay	(30,850)		(30,850)
Principal Retirement	(57,500)		(57,500)
Interest and Other Fiscal Charges	(99,837)		(99,837)
Other Financing Uses		(2,000)	(2,000)
<i>Total Non-Operating Disbursements</i>	<u>(188,187)</u>	<u>(2,000)</u>	<u>(190,187)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(29,515)</u>	<u>(1,488)</u>	<u>(31,003)</u>
<i>Fund Cash Balances, January 1</i>	<u>814,480</u>	<u>159,117</u>	<u>973,597</u>
<i>Fund Cash Balances, December 31</i>	<u>\$784,965</u>	<u>\$157,629</u>	<u>\$942,594</u>

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

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Bettsville, Seneca County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in a public entity risk pool and jointly governed organizations. Notes 8 and 9 to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pool:

Public Entities Pool of Ohio (PEP) - A risk-sharing pool providing underwriting, claims, loss control, risk management, and reinsurance services to Ohio governments.

Jointly Governed Organizations:

JLB Joint Fire District - A joint fire district formed by Jackson Township, Liberty Township, and the Village of Bettsville to provide fire protection services

JLB Joint Ambulance District - A joint ambulance district formed by Jackson Township, Liberty Township, and Village of Bettsville to provide EMS services.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Park and Recreation Fund – This fund receives property tax revenues restricted for park use, charges for services, donations and general fund transfers to fund operations of the park.

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Sewer Bond Debt Fund - This fund receives utility surcharge to repay the USDA loan.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village's private purpose trust funds are for the benefit of students for college scholarships.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus

VILLGE OF BETTSVILLE
SENECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

cash as of January 1. The County Budget Commission must approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first

**VILLGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS

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

	2015	2014
Demand deposits	\$1,445,323	\$1,337,046
Certificates of deposit	155,133	154,745
Total deposits	\$1,600,456	\$1,491,791

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$254,900	\$297,167	\$42,267
Special Revenue	118,760	102,216	(16,544)
Enterprise	495,145	385,918	(109,227)
Fiduciary	600	388	(212)
Total	\$869,405	\$785,689	(\$83,716)

**VILLGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$388,487	\$302,508	\$85,979
Special Revenue	115,861	58,311	57,550
Enterprise	469,775	316,205	153,570
Fiduciary	2,000	2,000	2,000
Total	<u>\$976,123</u>	<u>\$677,024</u>	<u>\$299,099</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$260,002	\$265,677	\$5,675
Special Revenue	121,759	121,868	109
Enterprise	377,600	376,561	(1,039)
Fiduciary	2,000	512	(1,488)
Total	<u>\$761,361</u>	<u>\$764,618</u>	<u>\$3,257</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$297,780	\$226,296	\$71,484
Special Revenue	131,959	126,677	5,282
Enterprise	483,700	406,076	77,624
Fiduciary	2,000	2,000	2,000
Total	<u>\$915,439</u>	<u>\$761,049</u>	<u>\$154,390</u>

4. PROPERTY TAX

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

**VILLGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Income tax collections as of December 31, 2015 and 2014 were \$154,219 and \$141,621, respectively.

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$703,111	1.0%
Mortgage Revenue Bonds Series 2006	1,960,200	4.5%
Total	\$2,663,311	

The Ohio Water Development Authority (OWDA) loan #4084 relates to a wastewater collection and treatment project. This loan paid off the previous OWDA planning and design loans, and provided additional funds for the Village to use for the wastewater collection and treatment project. The OWDA approved up to \$1,000,000 in loans to the Village for this project. The amount shown above includes interest capitalized while the project was under construction. Sewer receipts collateralized the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Mortgage Revenue Bonds relate to the wastewater collection and treatment project. This debt paid off the previous OWDA interim financing loan. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Mortgage Revenue Bond covenant requires the Village to establish and fund a debt service reserve fund. The balance in the fund at December 31, 2015 is \$116,818.

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

Year ending		Mortgage Revenue	
December 31:	OWDA Loan	Bonds	
2016	\$38,875	\$118,509	
2017	38,876	118,446	
2018	38,876	118,523	
2019	38,876	118,434	
2020	38,876	118,482	
2021-2025	194,380	592,338	
2026-2030	194,380	592,349	
2031-2035	194,379	592,540	
2036-2040		592,423	
2041-2045		592,484	
2046		118,503	
Total	\$777,518	\$3,673,031	

**VILLGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

8. RISK MANAGEMENT

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership

**VILLGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$15,000.

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

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$23,923	\$23,933

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

9. JOINTLY GOVERNED ORGANIZATIONS

The JLB Joint Fire District is a jointly governed organization. Jackson Township, Liberty Township and the Village of Bettsville each appoint members to sit on the Fire District Board. The Fire District provides fire protection services within the District.

The JLB Joint Ambulance District is a jointly governed organization. Jackson Township, Liberty Township and the Village of Bettsville each appoint members to sit on the Ambulance District Board. The Ambulance District provides EMS services within the District.

10. BUILDING LEASE

On December 1, 1972, the Village leased a building to the Bettsville Public Library for a period of ninety-nine years. The library agreed to be responsible for maintaining the building and providing adequate insurance coverage. The library pays a lease of one dollar per year. The library is independent of the Village and does not vote on Village matters.



Dave Yost • Auditor of State

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

Village of Bettsville
Seneca County
308 Emma Street
Bettsville, Ohio 44815-0505

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Bettsville, Seneca County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be material weakness.

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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Finding

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

December 14, 2016

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness

Financial Reporting

The Village’s management is responsible for the fair presentation of the financial statements. In addition, appropriations approved by Council should agree to the appropriations posted to the Accounting System. Errors were noted in the financial statements resulting in the following adjustments:

Fire Fund Debt Principal (\$15,832) and interest (\$542) was improperly accounted for as Capital Outlay during 2014.

Appropriations posted to the appropriation ledger did not agree with the appropriations adopted by Council during 2014, as follows:

Fund	Appropriation Authority	UAN System	Variance
Water Operating	\$174,000	\$129,100	\$44,900
Sewer Bond Debt Service	12,000	104,818	(92,818)

These errors are a result of inadequate policies and procedures over reviewing the financial statements and monitoring budgetary information. Additional audit adjustments were made in smaller relative amounts. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these errors.

To help ensure the Village’s financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the annual report by the Fiscal Officer and Council to identify and correct errors, omissions, and misclassifications.

Officials’ Response:

We have taken these financial statement errors into consideration. The loan has been paid off. Any new loans will be set up correctly in UAN. We are monitoring the budgetary information more closely.

VILLAGE OF BETTSVILLE
SENECA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014

Finding Number	Finding Summary	Status	Additional Information
2013-001	Material Weakness due to errors in financial reporting.	Partially corrected and repeated in this report as finding #2015-001.	Fire Fund did not include a Debt Principal and Interest line item therefore was paid from the Capital Outlay. This debt has been paid off with the 2014 payment; therefore has been corrected.



Dave Yost • Auditor of State

VILLAGE OF BETTSVILLE

SENECA 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
DECEMBER 29, 2016