



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
P.O. Box 505
Bettsville, Ohio 48815-0505

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, 2017 and 2016.

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 such 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 2 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, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Bettsville, Seneca County as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018 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

November 13, 2018

Village of Bettsville
Seneca County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$18,133	\$17,781	\$35,914
Municipal Income Tax	180,620		180,620
Intergovernmental	34,838	43,772	78,610
Charges for Services	36,360	2,485	38,845
Fines, Licenses and Permits	8,419		8,419
Earnings on Investments	2,071	120	2,191
Miscellaneous	11,823	18,362	30,185
<i>Total Cash Receipts</i>	<u>292,264</u>	<u>82,520</u>	<u>374,784</u>
Cash Disbursements			
Current:			
Security of Persons and Property	78,048	462	78,510
Public Health Services	1,104		1,104
Leisure Time Activities		22,820	22,820
Community Environment	3,400		3,400
Transportation		46,099	46,099
General Government	85,306		85,306
Capital Outlay	69,018	9,520	78,538
<i>Total Cash Disbursements</i>	<u>236,876</u>	<u>78,901</u>	<u>315,777</u>
<i>Net Change in Fund Cash Balances</i>	55,388	3,619	59,007
<i>Fund Cash Balances, January 1</i>	<u>503,329</u>	<u>108,287</u>	<u>611,616</u>
Fund Cash Balances, December 31			
Restricted		111,906	111,906
Assigned	308,754		308,754
Unassigned	249,963		249,963
<i>Fund Cash Balances, December 31</i>	<u>\$558,717</u>	<u>\$111,906</u>	<u>\$670,623</u>

See accompanying notes to the basic financial statements

Village of Bettsville
Seneca County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017*

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$414,201		\$414,201
Earnings on Investments		\$383	383
<i>Total Operating Cash Receipts</i>	<u>414,201</u>	<u>383</u>	<u>414,584</u>
Operating Cash Disbursements			
Personal Services	69,777		69,777
Employee Fringe Benefits	19,197		19,197
Contractual Services	56,811		56,811
Supplies and Materials	50,086		50,086
<i>Total Operating Cash Disbursements</i>	<u>195,871</u>	<u></u>	<u>195,871</u>
<i>Operating Income</i>	<u>218,330</u>	<u>383</u>	<u>218,713</u>
Non-Operating Disbursements			
Capital Outlay	(2,510)		(2,510)
Principal Retirement	(63,845)		(63,845)
Interest and Other Fiscal Charges	(93,477)		(93,477)
<i>Total Non-Operating Disbursements</i>	<u>(159,832)</u>	<u></u>	<u>(159,832)</u>
<i>Net Change in Fund Cash Balances</i>	58,498	383	58,881
<i>Fund Cash Balances, January 1</i>	<u>887,414</u>	<u>156,393</u>	<u>1,043,807</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$945,912</u></u>	<u><u>\$156,776</u></u>	<u><u>\$1,102,688</u></u>

See accompanying notes to the basic financial statements

Village of Bettsville
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of Bettsville (the Village), Seneca County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. As of August 1, 2017, the Village contracts with the Seneca County Sheriff's department to provide security of persons and property. The Village appropriates General fund money to support a volunteer fire department.

Jointly Governed Organization and Public Entity Risk Pools

The Village participates in a jointly governed organization and a public entity risk pool. Notes 6 and 10 to the financial statements provides additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General fund accounts for and reports all financial resources not accounted for and reported in another fund. The General fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 The Street Construction Maintenance and Repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Park and Recreation Fund The Park and Recreation fund receives charges for services and donations to fund operations of the park.

Village of Bettsville
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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 The Water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The Sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sewer Bond Debt Service Fund The Sewer Bond Debt Service fund receives utility surcharges to repay the USDA sewer loan.

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.

Basis of Accounting

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.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

Village of Bettsville
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

A summary of 2017 budgetary activity appears in Note 3.

Capital Assets

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

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.

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:

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

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.

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.

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.

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 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.

Village of Bettsville
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$257,200	\$292,264	\$35,064
Special Revenue	89,184	82,520	(6,664)
Enterprise	385,400	414,201	28,801
Fiduciary	275	383	108
Total	\$732,059	\$789,368	\$57,309

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$414,517	\$237,751	\$176,766
Special Revenue	120,277	79,492	40,785
Enterprise	434,157	357,945	76,212
Fiduciary	2,000	2,000	2,000
Total	\$970,951	\$675,188	\$295,763

Note 4 – 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:

Demand deposits	2017 \$1,620,586
Certificates of deposit	152,725
Total deposits	\$1,773,311

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or; collateralized through the Ohio Pooled Collateral System (OPCS).

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council

Village of Bettsville
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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.

Income Taxes

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.

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.

Note 6 – 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, 2017, 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, 2017.

Village of Bettsville
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, 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>2017 Contributions to PEP</u>
\$24,386

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.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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. 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, 2017.

Social Security

Several of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Village of Bettsville
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$638,942	1.0%
Mortgage Revenue Bonds, Series 2006	<u>1,898,300</u>	4.5%
Total	<u><u>\$2,537,242</u></u>	

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 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, 2017 is \$118,818.

Amortization

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

Village of Bettsville
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Year Ending December 31:	OWDA Loan	Mortgage Revenue Bonds
2018	\$38,876	\$118,524
2019	38,876	118,434
2020	38,876	118,482
2021	38,876	118,457
2022	38,876	118,461
2023-2027	194,379	592,352
2028-2032	194,379	592,389
2033-2037	116,627	592,537
2038-2042		592,466
2043-2046		473,974
Total	\$699,765	\$3,436,076

Note 10 – Jointly Governed Organizations

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.

Note 11 – 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.

Note 12 – Encumbrances

The Village utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the Village's commitments for encumbrances in the General, Special Revenue, and Enterprise funds were \$875, \$591, and \$2,242, respectively.

Note 13 – Miscellaneous Receipts

Miscellaneous receipts within the Special Revenue funds consist largely of land rent and contributions and donations.

Village of Bettsville
Seneca County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$22,632	\$19,332	\$41,964
Municipal Income Tax	174,695		174,695
Intergovernmental	32,028	42,263	74,291
Charges for Services	54,454	1,121	55,575
Fines, Licenses and Permits	8,963		8,963
Earnings on Investments	2,080	122	2,202
Miscellaneous	5,245	3,641	8,886
<i>Total Cash Receipts</i>	<u>300,097</u>	<u>66,479</u>	<u>366,576</u>
Cash Disbursements			
Current:			
Security of Persons and Property	78,853	430	79,283
Public Health Services	771		771
Leisure Time Activities		6,465	6,465
Community Environment	4,700		4,700
Transportation		34,291	34,291
General Government	124,481		124,481
Capital Outlay	64,117	28,613	92,730
<i>Total Cash Disbursements</i>	<u>272,922</u>	<u>69,799</u>	<u>342,721</u>
<i>Net Change in Fund Cash Balances</i>	27,175	(3,320)	23,855
<i>Fund Cash Balances, January 1</i>	<u>476,154</u>	<u>111,607</u>	<u>587,761</u>
Fund Cash Balances, December 31			
Restricted		108,287	108,287
Assigned	157,317		157,317
Unassigned	346,012		346,012
<i>Fund Cash Balances, December 31</i>	<u>\$503,329</u>	<u>\$108,287</u>	<u>\$611,616</u>

See accompanying notes to the basic financial statements

Village of Bettsville
Seneca County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016*

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$409,387		\$409,387
Earnings on Investments		\$390	390
<i>Total Operating Cash Receipts</i>	<u>409,387</u>	<u>390</u>	<u>409,777</u>
Operating Cash Disbursements			
Personal Services	66,000		66,000
Employee Fringe Benefits	19,049		19,049
Contractual Services	63,041		63,041
Supplies and Materials	65,779		65,779
Other	81		81
<i>Total Operating Cash Disbursements</i>	<u>213,950</u>		<u>213,950</u>
<i>Operating Income</i>	<u>195,437</u>	<u>390</u>	<u>195,827</u>
Non-Operating Disbursements			
Capital Outlay	(5,317)		(5,317)
Principal Retirement	(62,224)		(62,224)
Interest and Other Fiscal Charges	(95,160)		(95,160)
Other Financing Uses		(2,014)	(2,014)
<i>Total Non-Operating Disbursements</i>	<u>(162,701)</u>	<u>(2,014)</u>	<u>(164,715)</u>
<i>Net Change in Fund Cash Balances</i>	32,736	(1,624)	31,112
<i>Fund Cash Balances, January 1</i>	<u>854,678</u>	<u>158,017</u>	<u>1,012,695</u>
<i>Fund Cash Balances, December 31</i>	<u>\$887,414</u>	<u>\$156,393</u>	<u>\$1,043,807</u>

See accompanying notes to the basic financial statements

Village of Bettsville
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The Village of Bettsville (the Village), Seneca County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

Jointly Governed Organization and Public Entity Risk Pools

The Village participates in a jointly governed organization and a public entity risk pool. Notes 6 and 10 to the financial statements provides additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General fund accounts for and reports all financial resources not accounted for and reported in another fund. The General fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 The Street Construction Maintenance and Repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire Equipment Fund The Fire Equipment fund accounts for and reports the portion of property tax revenues restricted for fire services and equipment within the Village.

Village of Bettsville
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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 The Water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The Sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sewer Bond Debt Service Fund The Sewer Bond Debt Service fund receives utility surcharges to repay the USDA sewer loan.

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.

Basis of Accounting

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.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

Village of Bettsville
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

A summary of 2016 budgetary activity appears in Note 3.

Capital Assets

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

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.

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:

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

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.

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.

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.

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 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.

Village of Bettsville
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

Fund Type	Receipts	Receipts	Variance
General	\$251,279	\$300,097	\$48,818
Special Revenue	75,526	66,479	(9,047)
Enterprise	380,227	409,387	29,160
Fiduciary	600	390	(210)
Total	\$707,632	\$776,353	\$68,721

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$372,151	\$273,990	\$98,161
Special Revenue	114,036	70,440	43,596
Enterprise	411,657	378,569	33,088
Fiduciary	2,015	2,014	1
Total	\$899,859	\$725,013	\$174,846

Note 4 – 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:

	2016
Demand deposits	\$1,499,901
Certificates of deposit	155,522
Total deposits	\$1,655,423

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or; collateralized through the financial institution's public entity deposit pool.

Note 5 – Taxes

Property Taxes

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.

Village of Bettsville
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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.

Income Taxes

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.

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.

Note 6 - 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, 2016, 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, 2016.

Village of Bettsville
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

	<u>2016</u>
Assets	\$42,182,281
Liabilities	(13,396,700)
Net Position	\$28,785,581

At December 31, 2017 the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, 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>2016 Contributions to PEP</u> \$24,102
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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.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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. 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, 2016.

Social Security

Several of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Village of Bettsville
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$671,186	1.0%
Mortgage Revenue Bonds, Series 2006	<u>1,929,900</u>	4.5%
Total	<u><u>\$2,601,086</u></u>	

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 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, 2016 is \$118,818.

Amortization

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

Village of Bettsville
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Year Ending December 31:	OWDA Loan	Mortgage Revenue Bonds
2017	\$38,876	\$118,446
2018	38,876	118,524
2019	38,876	118,434
2020	38,876	118,482
2021	38,876	118,457
2022-2026	194,379	592,354
2027-2031	194,379	592,381
2032-2036	155,503	592,512
2037-2041		592,449
2042-2046		592,483
Total	\$738,641	\$3,554,522

Note 10 – Jointly Governed Organizations

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.

Note 11 – 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.

Note 12 – Encumbrances

The Village utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be report as part of restricted, committed, or assigned classifications of fund balance. At year end, the Village’s commitments for encumbrances in the General, Special Revenue, and Enterprise funds were \$1,068, \$641, and \$1,918, respectively.



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
P.O. Box 505
Bettsville, Ohio 48815-0505

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, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 13, 2018 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 opinions 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 2017-001 to be a 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*.

Village's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements 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 report 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

November 13, 2018

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness

Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

An error was noted in the financial statements, resulting in a reclassification to donation revenues of \$13,782 in 2017 in the Park and Recreation fund as the receipts were incorrectly classified as charges for services revenues.

This error was the result of inadequate policies and procedures over reviewing the financial statements. Failure to complete accurate financial statements could lead to the Council making misinformed decisions. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct this error.

Additional immaterial errors were noted that did not require adjustment to the financial statements.

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

Official's Response:

We will be making the necessary changes and adding a new account code in the Park Fund for donations.

VILLAGE OF BETTSVILLE
SENECA COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Finding was first reported during the audit of the 2007-2006 financial statements. Material weakness due to errors over financial reporting.	Not corrected. Repeated in this report as finding 2017-001.	Previous financial reporting errors were corrected, however, different types of misclassifications were identified during the current audit. This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements and footnotes prior to filing the Township's annual report. The Fiscal Officer will ensure these are accounted for correctly in the future.



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
NOVEMBER 27, 2018