



Dave Yost • Auditor of State

VILLAGE OF BENTON RIDGE
HANCOCK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Benton Ridge
Hancock County
P.O. Box 5
Benton Ridge, Ohio 45816-0005

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 Benton Ridge, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

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 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, 2016 and 2015, 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 Benton Ridge, Hancock County, Ohio as of December 31, 2016 and 2015, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2017, 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

October 23, 2017

Village of Benton Ridge
Hancock 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	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$6,612			\$6,612
Intergovernmental	26,392	\$33,937		60,329
Special Assessments		762		762
Charges for Services		5,786		5,786
Earnings on Investments	401	301		702
Miscellaneous	1,772			1,772
<i>Total Cash Receipts</i>	<u>35,177</u>	<u>40,786</u>		<u>75,963</u>
Cash Disbursements				
Current:				
Security of Persons and Property	2,974	7,905		10,879
Public Health Services	260			260
Leisure Time Activities	1,799	27,874		29,673
Basic Utility Services	888	51		939
Transportation		6,036		6,036
General Government	30,131	573		30,704
<i>Total Cash Disbursements</i>	<u>36,052</u>	<u>42,439</u>		<u>78,491</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(875)</u>	<u>(1,653)</u>		<u>(2,528)</u>
Other Financing Receipts (Disbursements)				
Transfers-In		5,854		5,854
Transfers-Out	(5,854)			(5,854)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,854)</u>	<u>5,854</u>		
<i>Net Change in Fund Cash Balances</i>	(6,729)	4,201		(2,528)
<i>Fund Cash Balances, January 1</i>	<u>12,531</u>	<u>82,650</u>	<u>\$85,836</u>	<u>181,017</u>
Fund Cash Balances, December 31				
Restricted		86,851	85,836	172,687
Unassigned	5,802			5,802
<i>Fund Cash Balances, December 31</i>	<u>\$5,802</u>	<u>\$86,851</u>	<u>\$85,836</u>	<u>\$178,489</u>

See accompanying notes to the basic financial statements

Village of Benton Ridge
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2016

	Enterprise
Operating Cash Receipts	
Charges for Services	\$73,490
Fines, Licenses and Permits	1,950
	75,440
<i>Total Operating Cash Receipts</i>	<i>75,440</i>
Operating Cash Disbursements	
Personal Services	12,618
Employee Fringe Benefits	1,683
Contractual Services	8,325
Supplies and Materials	11,364
Other	192
	34,182
<i>Total Operating Cash Disbursements</i>	<i>34,182</i>
<i>Operating Income</i>	<i>41,258</i>
Non-Operating Disbursements	
Principal Retirement	(15,728)
Interest and Other Fiscal Charges	(26,416)
	(42,144)
<i>Total Non-Operating Disbursements</i>	<i>(42,144)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(886)</i>
<i>Fund Cash Balances, January 1</i>	<i>71,012</i>
	71,012
<i>Fund Cash Balances, December 31</i>	<i>\$70,126</i>
	\$70,126

See accompanying notes to the basic financial statements

Village of Benton Ridge
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Benton Ridge (the Village), Hancock 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 sewer utilities and park operations. The Village contracts with Blanchard Township to receive fire protection services.

Public Entity Risk Pool

The Village participates in Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. 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 proprietary fund type 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:

Parks and Recreation Fund This fund receives grants, other subdivision's support and usage fees to fund maintenance and upkeep of the park.

Capital Project Fund This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The Village had the following Capital Project Fund:

Sewer Construction Fund This fund has a balance from the grant and loan proceeds for the construction of the sanitary sewer system within the Village.

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 Fund:

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

Basis of Accounting

Village of Benton Ridge
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 Village 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 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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

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.

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.

Village of Benton Ridge
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

Note 3 - Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,657	\$35,177	(\$480)
Special Revenue	30,331	46,640	16,309
Enterprise	68,000	75,440	7,440
Total	\$133,988	\$157,257	\$23,269

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,456	\$41,906	\$4,550
Special Revenue	110,213	42,439	67,774
Capital Projects	85,836		85,836
Enterprise	139,012	76,326	62,686
Total	\$381,517	\$160,671	\$220,846

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:

Village of Benton Ridge
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2016

	<u>2016</u>
Demand deposits	\$48,615
Certificates of deposit	200,000
Total deposits	<u>\$248,615</u>

Deposits

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

Note 5 – 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.

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.

Note 6 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

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

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Village of Benton Ridge
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2016

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014 (the latest information available).

	2015	2014
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	\$5,531,637	\$5,887,681

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Fourteen 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.

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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
USDA Mortgage Revenue Bond	\$467,000	4.25%
Village of Rawson Mortgage Revenue Bond	132,054	4.50%
Village of Rawson OPWC Loan	30,094	
Total	\$629,148	

The Village has entered into an agreement with United States Department of Agriculture Rural Development in the amount of \$683,000 in bonds. The bonds were used to extinguish an OWDA loan the Village entered into for the construction of a waste water treatment facility. The Village has agreed to set utility rates sufficient to cover the mortgage revenue bond debt service requirements.

The USDA bond covenant requires the Village to establish and fund a sewer debt service reserve fund, which is included as an enterprise fund. The balance in the fund at December 31, 2016 is \$36,200.

The Village has entered into an intergovernmental agreement with the Villages of Rawson and Mount Cory to pay back Mortgage Revenue Bonds for \$159,500 for the construction of a wastewater treatment facility. The facility has been built and is owned by the Village of Rawson. The facility will be leased to the

Village of Benton Ridge
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Villages of Benton Ridge and Mount Cory for a minimum of 40 years. The facility was built based on the aggregated population of the three villages, and the cost will be shared in proportion to their populations. The Village of Benton Ridge's share of the debt is 31% of the bond with an interest rate of 4.5%. In addition, the Village is responsible for the reserve balance requirement for their portion of the debt payment, \$8,838, payable over 10 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the mortgage revenue bond debt service requirements. The Village has entered into an intergovernmental agreement with the Villages of Rawson and Mount Cory to pay back Ohio Public Works Commission Loan CT31B for \$277,350 for the construction of a wastewater treatment facility. The facility has been built and is owned by the Village of Rawson.

The facility will be leased to the Villages of Benton Ridge and Mount Cory for a minimum of 40 years. The facility was built based on the aggregated population of the three villages, and the cost will be shared in proportion to their populations. The Village of Benton Ridge's share of the debt is 31% of this interest free loan. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Amortization

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

Year ending December 31:	USDA	Village of	Village of
	Mortgage Revenue Bonds	Rawson USDA Bond	Rawson OPWC Loan
2017	\$29,848	\$7,070	\$4,299
2018	29,423	8,838	4,299
2019	29,998	8,838	4,299
2020	29,530	8,838	4,299
2021	30,063	8,838	4,299
2022-2026	149,365	44,190	8,599
2027-2031	148,853	44,190	
2032-2036	148,855	44,190	
2037-2041	149,438	44,190	
2042-2043	40,040	8,701	
Total	<u>\$785,413</u>	<u>\$227,883</u>	<u>\$30,094</u>

Note 10 – Interfund Transfers

During 2016, the General Fund made a transfer to the State Highway Fund for \$5,854.

Note 11 – Related Party Transactions

A son of a Council member is employed by the Village and the Village paid him \$3,900 in 2016.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Village of Benton Ridge
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$5,958			\$5,958
Intergovernmental	24,780	\$30,692		55,472
Special Assessments		10,072		10,072
Charges for Services	537	4,774		5,311
Earnings on Investments	541	512		1,053
Miscellaneous	49			49
<i>Total Cash Receipts</i>	<u>31,865</u>	<u>46,050</u>		<u>77,915</u>
Cash Disbursements				
Current:				
Security of Persons and Property	2,978	8,243		11,221
Public Health Services	1,268			1,268
Leisure Time Activities	2,389	19,642		22,031
Basic Utility Services	849	306		1,155
Transportation		22,281		22,281
General Government	34,237	1,796		36,033
<i>Total Cash Disbursements</i>	<u>41,721</u>	<u>52,268</u>		<u>93,989</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(9,856)</u>	<u>(6,218)</u>		<u>(16,074)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets		825		825
Transfers In		1,930		1,930
Transfers Out	(1,930)			(1,930)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,930)</u>	<u>2,755</u>		<u>825</u>
<i>Net Change in Fund Cash Balances</i>	(11,786)	(3,463)		(15,249)
<i>Fund Cash Balances, January 1</i>	<u>24,317</u>	<u>86,113</u>	<u>\$85,836</u>	<u>196,266</u>
Fund Cash Balances, December 31				
Restricted		82,650	85,836	168,486
Assigned	10,799			10,799
Unassigned	1,732			1,732
<i>Fund Cash Balances, December 31</i>	<u>\$12,531</u>	<u>\$82,650</u>	<u>\$85,836</u>	<u>\$181,017</u>

See accompanying notes to the basic financial statements

Village of Benton Ridge
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2015

	Enterprise
Operating Cash Receipts	
Charges for Services	\$73,128
Fines, Licenses and Permits	2,680
	75,808
<i>Total Operating Cash Receipts</i>	<i>75,808</i>
Operating Cash Disbursements	
Personal Services	12,477
Employee Fringe Benefits	1,680
Contractual Services	9,199
Supplies and Materials	2,663
Other	96
	26,115
<i>Total Operating Cash Disbursements</i>	<i>26,115</i>
<i>Operating Income</i>	<i>49,693</i>
Non-Operating Disbursements	
Principal Retirement	(16,762)
Interest and Other Fiscal Charges	(26,914)
	(43,676)
<i>Total Non-Operating Disbursements</i>	<i>(43,676)</i>
<i>Net Change in Fund Cash Balances</i>	<i>6,017</i>
<i>Fund Cash Balances, January 1</i>	<i>64,995</i>
<i>Fund Cash Balances, December 31</i>	<i>\$71,012</i>

See accompanying notes to the basic financial statements

Village of Benton Ridge
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

The Village of Benton Ridge (the Village), Hancock 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 sewer utilities and park operations. The Village contracts with Blanchard Township to receive fire protection services.

Public Entity Risk Pool

The Village participates in Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. 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 proprietary fund type 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.

Parks and Recreation Fund This fund receives grants, other subdivision's support and usage fees to fund maintenance and upkeep of the park.

Capital Project Fund This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The Village had the following Capital Project Fund:

Sewer Construction Fund This fund has a balance from the grant and loan proceeds for the construction of the sanitary sewer system within the Village.

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 Fund:

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents

Village of Benton Ridge
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2015

and commercial users within the Village.

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 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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

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.

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.

Village of Benton Ridge
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the state highway fund and the parks and recreation fund by \$1,930 and \$3,887, respectively for the year ended December 31, 2015.

Contrary to Ohio law, the District posted monies to incorrect funds.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,275	\$31,865	\$4,590
Special Revenue	30,331	48,805	18,474
Enterprise	68,000	75,808	7,808
Total	\$125,606	\$156,478	\$30,872

Village of Benton Ridge
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2015

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$50,961	\$43,651	\$7,310
Special Revenue	82,944	52,268	30,676
Capital Projects	85,836		85,836
Enterprise	122,743	69,791	52,952
Total	\$342,484	\$165,710	\$176,774

Note 5 – 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
Demand deposits	\$52,029
Certificates of deposit	200,000
Total deposits	\$252,029

Deposits

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

Note 6 – 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.

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.

Note 7 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Village of Benton Ridge
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2015

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

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

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 8 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Sixteen 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, 2015.

Note 9 - 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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2015 was as follows:

Village of Benton Ridge
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2015

	Principal	Interest Rate
USDA Mortgage Revenue Bond	\$477,000	4.25%
Village of Rawson Mortgage Revenue Bond	135,633	4.50%
Village of Rawson OPWC Loan	32,243	
Total	\$644,876	

The Village has entered into an agreement with United States Department of Agriculture Rural Development in the amount of \$683,000 in bonds. The bonds were used to extinguish an OWDA loan the Village entered into for the construction of a waste water treatment facility. The Village has agreed to set utility rates sufficient to cover the mortgage revenue bond debt service requirements.

The USDA bond covenant requires the Village to establish and fund a sewer debt service reserve fund, which is included as an enterprise fund. The balance in the fund at December 31, 2015 is \$36,200.

The Village has entered into an intergovernmental agreement with the Villages of Rawson and Mount Cory to pay back Mortgage Revenue Bonds for \$159,500 for the construction of a wastewater treatment facility. The facility has been built and is owned by the Village of Rawson. The facility will be leased to the Villages of Benton Ridge and Mount Cory for a minimum of 40 years. The facility was built based on the aggregated population of the three villages, and the cost will be shared in proportion to their populations. The Village of Benton Ridge's share of the debt is 31% of the bond with an interest rate of 4.5%. In addition, the Village is responsible for the reserve balance requirement for their portion of the debt payment, \$8,838, payable over 10 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the mortgage revenue bond debt service requirements. The Village has entered into an intergovernmental agreement with the Villages of Rawson and Mount Cory to pay back Ohio Public Works Commission Loan CT31B for \$277,350 for the construction of a wastewater treatment facility. The facility has been built and is owned by the Village of Rawson.

The facility will be leased to the Villages of Benton Ridge and Mount Cory for a minimum of 40 years. The facility was built based on the aggregated population of the three villages, and the cost will be shared in proportion to their populations. The Village of Benton Ridge's share of the debt is 31% of this interest free loan. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Amortization

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

Village of Benton Ridge
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Year ending December 31:	USDA Mortgage Revenue Bonds	Village of Rawson USDA Bond	Village of Rawson OPWC Loan
2016	\$30,273	\$7,954	\$2,149
2017	29,848	8,838	4,299
2018	29,423	8,838	4,299
2019	29,998	8,838	4,299
2020	29,530	8,838	4,299
2021-2025	149,085	44,190	12,898
2026-2030	149,210	44,190	
2031-2035	148,978	44,190	
2036-2040	149,538	44,190	
2041-2043	69,803	17,539	
Total	<u>\$815,686</u>	<u>\$237,605</u>	<u>\$32,243</u>

Note 11 – Related Party Transactions

The husband and son of a Council member are employed by the Village. The Village paid the husband \$4,176 in 2015 before accepting his resignation in September. The Village paid the son \$3,408 in 2015.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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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 Benton Ridge
Hancock County
P.O. Box 5
Benton Ridge, Ohio 45816-0005

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 Benton Ridge, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2017 wherein we noted the Village followed financial reporting provision 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 2016-004 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 instances of

noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 through 2016-003.

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

October 23, 2017

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Finding For Recovery Repaid Under Audit

The Village of Benton Ridge's Council Resolution #50-2012 set player fees for soccer and baseball/softball at \$5 per player; however, the Liberty-Benton Soccer Association, Inc., paid a \$4 per player fee. The Village of Benton Ridge did not collect the additional amounts due as noted below.

Organization	Year	Amount Paid	Amount Owed	Amount Not Collected
The Liberty-Benton Soccer Association, Inc.	2015	\$1,552	\$1,940	\$388
	2016	1,628	2,035	407
Total		\$3,180	\$3,975	\$795

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, which requires the Auditor of State to issue a Finding for Recovery when any public money due has not been collected, a Finding for Recovery for public money not collected is hereby issued against The Liberty-Benton Soccer Association, Inc., in the amount of \$795. In addition, the Finding for Recovery for public money not collected is hereby issued against Robert Schoonover, Village of Benton Ridge Clerk-Treasurer, and his bonding company, Ohio Plan Risk Management, Inc., jointly and severally in the amount of \$795, in favor of the Parks and Recreation Fund of the Village of Benton Ridge to the extent recovery is not obtained from The Liberty-Benton Soccer Association, Inc.

On July 21, 2017, \$795 was repaid under audit to the Village's Parks and Recreation Fund.

FINDING NUMBER 2016-002

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been properly appropriated in accordance with the Ohio Revised Code.

The Village's 2015 budgetary expenditures exceeded appropriations in the state highway fund and the parks and recreation fund in the amount of \$1,930 and \$3,887, respectively.

This noncompliance was the result of inadequate policies and procedures in monitoring budgetary information. Spending in excess of authorized amounts could result in deficit spending and negative fund balances.

We recommend the Clerk-Treasurer and Council review and amend appropriations whenever necessary to help prevent expenditures from exceeding appropriations, provided sufficient resources are available.

FINDING NUMBER 2016-003

Noncompliance

Ohio Rev. Code § 5705.10(A) provides that all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund.

Ohio Rev. Code § 5705.10(D) requires all revenue derived from a source other than general property tax, and which the law prescribes shall be used for a particular purpose, to be paid into a special fund for such purpose.

Ohio Rev. Code § 5705.10(I) provides that money paid into any fund shall be used only for the purposes for which such fund is established.

In 2015, general fund property tax revenue of \$1,195 and charges for service revenue of \$537 were posted to the street lighting fund as property tax revenues. Also in 2015, the Village paid for the resurfacing of the park's parking lot. The expenditures of \$4,850 were posted to the street construction and maintenance fund instead of the park fund.

These errors were a result of inadequate policies and procedures in monitoring the posting of transactions to the financial statements and resulted in misstatements of financial activity in the respective funds. Improper reporting of revenue and expenses could cause management to draw inaccurate conclusions regarding its fiscal position. Management has included audit adjustments in the accompanying financial statements to correctly post these revenues to the applicable funds.

Financial activity should be properly reported in the accounting ledgers so management can better access whether or not financial goals are being met on an ongoing basis. As part of the monitoring process, management should review its records to make sure all amounts are properly reflected in the appropriate funds.

FINDING NUMBER 2016-004

Material Weakness – Monitoring Village Financial Activity

The Village's management is responsible for the fair presentation of the financial statements. Various transactions were improperly classified in 2016 and 2015 due to insufficient monitoring by management. The financial statements have been adjusted to reflect reclassifications as follows:

- A portion of the general fund balance at December 31, 2015 was included with the following year's appropriation meaning the fund balance should have been classified as assigned instead of unassigned in the amount of \$10,799.
- Park grants were posted as miscellaneous receipts instead of intergovernmental receipts in the park fund in the amount of \$18,500 and \$14,760 in 2016 and 2015, respectively.
- Principal payments were posted as interest in the sewer fund in the amount of \$15,728 and \$16,762 in 2016 and 2015, respectively.
- Player fees were posted as miscellaneous receipts instead of charges for services receipts in the park fund in the amount of \$4,336 and \$3,674 in 2016 and 2015, respectively.

Additional errors were noted in smaller relative amounts and included on the summary of unadjusted differences.

Accurate financial reporting is the responsibility of the Clerk-Treasurer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend the Clerk-Treasurer post all transactions in accordance with the guidance provided in the Ohio Village Officers' Handbook issued by the Auditor of State, and Council adopt procedures for reviewing the financial statements for accuracy.

Officials' Response:

We did not receive a response from Officials' to the findings reported above.

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material weakness due to lack of monitoring of financial activity.	Not corrected. Repeated in this report as finding 2016-004.	Additional errors occurred and were not detected. Clerk-Treasurer has started to give Council both a copy of the fund ledger and appropriation status and ask them to read both and to sign them when they have read them. They are then kept on file. Clerk-Treasurer also stressed to Council to look at the purchase orders and make sure they are coming from the right fund. They were also told they need to be more involved in the finances of the village.

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Dave Yost • Auditor of State

VILLAGE OF BENTON RIDGE

HANCOCK 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 16, 2017