



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF BATESVILLE  
NOBLE COUNTY

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Village of Batesville  
Noble County  
P.O. Box 325  
Quaker City, Ohio 43773

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 Batesville, Noble County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017.

### ***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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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, 2018 and 2017, and the respective changes in financial position 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 Batesville, Noble County, Ohio as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 January 23, 2020, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

January 23, 2020

**Village of Batesville, Ohio**  
*Guernsey County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2018*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$1,471	\$0	\$1,471
Intergovernmental	30,588	5,378	35,966
Oil/Gas Royalties & Lease Payments	40,708	0	40,708
Earnings on Investments	0	30	30
<i>Total Cash Receipts</i>	<u>72,767</u>	<u>5,408</u>	<u>78,175</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	400	0	400
Leisure Time Activities	821	0	821
Transportation	4,330	5,703	10,033
General Government	34,669	0	34,669
Capital Outlay	9,000	0	9,000
<i>Total Cash Disbursements</i>	<u>49,220</u>	<u>5,703</u>	<u>54,923</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>23,547</u>	<u>(295)</u>	<u>23,252</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In	0	3,000	3,000
Transfers Out	(3,000)	0	(3,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,000)</u>	<u>3,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	20,547	2,705	23,252
<i>Fund Cash Balances, January 1</i>	<u>42,367</u>	<u>3,971</u>	<u>46,338</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	6,676	6,676
Unassigned (Deficit)	62,914	0	62,914
<i>Fund Cash Balances, December 31</i>	<u>\$62,914</u>	<u>\$6,676</u>	<u>\$69,590</u>

*See accompanying notes to the basic financial statements.*

**Village of Batesville, Ohio**  
*Guernsey County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2018*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$11,465
<i>Total Operating Cash Receipts</i>	<u>11,465</u>
<b>Operating Cash Disbursements</b>	
Operations	7,062
Contractual Services	4,087
Supplies and Materials	12
<i>Total Operating Cash Disbursements</i>	<u>11,161</u>
<i>Operating Income</i>	<u>304</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	583,727
Other Debt Proceeds	583,727
Capital Outlay	(583,727)
Principal Retirement	(583,727)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	304
<i>Fund Cash Balances, January 1</i>	<u>13,576</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$13,880</u></u>

*See accompanying notes to the basic financial statements.*



**Village of Batesville, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 - Reporting Entity**

The Village of Batesville (the Village), Noble County, Ohio, 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 services include general government services, street maintenance, sewer utility services and park operations. The Village contracts with Village of Quaker City Volunteer Fire Department for fire protection services.

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 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 purposes 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 specific 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.

***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:

***Sewer Operating Fund*** - The sewer fund receives charges for services from resident to cover sewer service cost.

***Sewer Improvement Fund*** – This fund receives loan and grant monies from OWDA for sewer line construction.

**Village of Batesville, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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. 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 2018 budgetary activity appears in Note 3.

***Deposits***

The Village pools all available funds of the Village in an interest-bearing checking account.

***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 three 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:

***Restricted*** 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 Batesville, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

**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 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$78,231	\$72,767	(\$5,464)
Special Revenue	13,214	8,408	(4,806)
Enterprise	23,679	1,178,919	1,155,240
Total	\$115,124	\$1,260,094	\$1,144,970

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,244	\$52,220	\$16,024
Special Revenue	9,403	5,703	3,700
Enterprise	585,280	1,178,615	(593,335)
Total	\$662,927	\$1,236,538	(\$573,611)

**Note 4 – Deposits**

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

	2018
Demand deposits	\$83,470

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation.

**Village of Batesville, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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**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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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**

**Risk Pool Membership**

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.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The Village's elected officials 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.

**Note 8 – Compliance**

Contrary to Ohio Rev. Code § 5705.42 and Ohio Rev. Code § 5705.10(D), loan proceeds in the amount of \$14,659 and \$569,068 from the Ohio Water Development Authority (OWDA) for sewer construction were received and recorded to the Village's General Fund and Capital Project Fund as miscellaneous revenue and the disbursement of the funds was recorded as capital outlay in the amounts of \$14,659 and \$569,068, respectively that should have been recorded to the Enterprise Improvement Fund, in the amount of \$583,727 to loan proceeds and capital outlay. In addition, during 2018 the OWDA made an on-behalf payment to retire the loan proceeds with an OWDA grant in the amount of \$583,727 that was not recorded in the Village's accounting system.

**Village of Batesville, Ohio***Noble 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)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$1,261	\$0	\$1,261
Intergovernmental	15,071	5,431	20,502
Oil/Gas Royalties & Lease Payments	18,568	0	18,568
Earnings on Investments	0	22	22
Miscellaneous	392	0	392
<i>Total Cash Receipts</i>	<u>35,292</u>	<u>5,453</u>	<u>40,745</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	400	0	400
Leisure Time Activities	794	0	794
Community Environment	208	0	208
Transportation	0	5,803	5,803
General Government	35,571	122	35,693
<i>Total Cash Disbursements</i>	<u>36,973</u>	<u>5,925</u>	<u>42,898</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,681)</u>	<u>(472)</u>	<u>(2,153)</u>
<i>Fund Cash Balances, January 1</i>	<u>44,048</u>	<u>4,443</u>	<u>48,491</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	3,971	3,971
Unassigned (Deficit)	42,367	0	42,367
<i>Fund Cash Balances, December 31</i>	<u>\$42,367</u>	<u>\$3,971</u>	<u>\$46,338</u>

*See accompanying notes to the basic financial statements.*

**Village of Batesville, Ohio**  
*Noble County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2017*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$10,102
<i>Total Operating Cash Receipts</i>	<u>10,102</u>
<b>Operating Cash Disbursements</b>	
Supplies and Materials	107
<i>Total Operating Cash Disbursements</i>	<u>107</u>
<i>Operating Income (Loss)</i>	<u>9,995</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	1,421,874
Other Debt Proceeds	1,421,874
Capital Outlay	(1,421,874)
Principal Retirement	(1,421,874)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	9,995
<i>Fund Cash Balances, January 1</i>	<u>3,581</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$13,576</u></u>

*See accompanying notes to the basic financial statements.*

**Village of Batesville, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 - Reporting Entity**

The Village of Batesville (the Village), Noble County, Ohio, 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 services include general government services, street maintenance, sewer utility services and park operations. The Village contracts with Village of Quaker City Volunteer Fire Department for fire protection services.

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 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 purposes 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 specific 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.

***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:

***Sewer Operating Fund*** - The sewer fund receives charges for services from resident to cover sewer service cost.

***Sewer Improvement Fund*** – This fund receives grant and loan monies from OWDA for sewer line construction.

**Village of Batesville, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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. 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 2017 budgetary activity appears in Note 3.

***Deposits***

The Village pools all available funds of the Village in an interest-bearing checking account.

***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 three 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:

***Restricted*** 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 Batesville, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**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 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,841	\$35,292	(\$24,549)
Special Revenue	11,056	5,453	(5,603)
Enterprise	104,755	2,853,850	2,749,095
Total	\$175,652	\$2,894,595	\$2,718,943

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$34,463	\$36,973	(\$2,510)
Special Revenue	8,303	5,925	2,378
Enterprise	161,359	2,843,855	(2,682,496)
Total	\$204,125	\$2,886,753	(\$2,682,628)

**Note 4 – Deposits**

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

	2017
Demand deposits	\$59,914

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation.

**Village of Batesville, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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**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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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**

**Risk Pool Membership**

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.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The Village's elected officials and 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.

**Note 8 - Compliance**

Contrary to Ohio Rev. Code § 5705.42 and Ohio Rev. Code § 5705.10(D), loan proceeds in the amount of \$161,252 from the Ohio Water Development Authority (OWDA) for sewer construction were received and recorded to the Village's General Fund as miscellaneous revenue and the disbursement of the funds was recorded as capital outlay in the amount of \$161,252 that should have been recorded to the Enterprise Improvement Fund, in the amount of \$161,252 to loan proceeds and capital outlay. In addition, the OWDA spent \$1,260,622 on the Villages behalf for sewer construction that was not recorded to the Village accounting system that should have been recorded to the Sewer Improvement Fund, in the amount of \$1,260,622 to loan proceeds and capital outlay.

# OHIO AUDITOR OF STATE KEITH FABER



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

Village of Batesville  
Noble County  
P.O. Box 325  
Quaker City, Ohio 43773

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 Batesville, Noble County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2020 wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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. We consider Finding 2018-001 and 2018-002 described in the accompanying Schedule of Findings to be material weaknesses.

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. We consider Findings 2018-003 and 2018-004 described in the accompanying Schedule of Findings to be significant deficiencies.

***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 item 2018-001.

***Village's Responses to Findings***

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

***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.



Keith Faber  
Auditor of State  
Columbus, Ohio

January 23, 2020

VILLAGE OF BATESVILLE  
NOBLE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2018-001

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.42 provides that Federal and State grants or loans are “deemed appropriated for the purpose for which such bond was issued by the taxing authority” as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection. “Deemed an appropriation” under this section means the Federal or State government has already appropriated and established the purpose(s) for which a government can spend monies received from Federal or State grants and loans. The taxing authority cannot deviate from this purpose; the taxing authority can only resolve to spend the money for a purpose already prescribed in a contract, grant agreement, loan agreement, etc. Therefore, Federal and State grants and loans received under Ohio Rev. Code § 5705.42 do not require formal appropriation by the legislative body. In other words, Ohio Rev. Code § 5705.42 effectively eliminates an unnecessary appropriation action by the taxing authority. However, Ohio Rev. Code § 5705.42 directs the fiscal officer to record the appropriation amount in the accounting system. The fiscal officer should also include the appropriated amounts on the (amended) certificate to properly monitor budget versus actual activity.

AOS Bulletin 2000-008 provides guidance for cash basis accounting for on-behalf funding. In short, the Bulletin indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made. In addition, the applicable budgetary legal requirements should be followed for the program the same as if the moneys were received and expended by the local government. Ohio Rev. Code § 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

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

During 2018, loan proceeds in the amount of \$14,659 and \$569,068 from the Ohio Water Development Authority (OWDA) for sewer construction were received and recorded to the Village's General Fund and Capital Project Fund as miscellaneous revenue and the disbursement of the funds was recorded as capital outlay in the amounts of \$14,659 and \$569,068, respectively that should have been recorded to the Enterprise Improvement Fund, in the amount of \$583,727 to loan proceeds and capital outlay. In addition, during 2018 the OWDA made an on-behalf payment to retire the loan proceeds with an OWDA grant in the amount of \$583,727 that was not recorded in the Village's accounting system. This on-behalf revenue should have been recorded to the Enterprise Improvement Fund, in the amount of \$583,727, as intergovernmental revenue and debt principal expenditure.

During 2017, loan proceeds in the amount of \$161,252 from the Ohio Water Development Authority (OWDA) for sewer construction were received and recorded to the Village's General Fund as miscellaneous revenue and the disbursement of the funds was recorded as capital outlay in the amount of \$161,252 that should have been recorded to the Enterprise Improvement Fund, in the amount of \$161,252 to loan proceeds and capital outlay. In addition, the OWDA spent \$1,260,622 on the Villages behalf for sewer construction that was not recorded to the Village accounting system that should have been recorded to the Sewer Improvement Fund, in the amount of \$1,260,622 to loan proceeds and capital outlay. Also, during 2017 the OWDA made an on-behalf payment to retire the loan proceeds with an OWDA grant in the amount of \$1,421,874 that was not recorded in the Village's accounting system.

VILLAGE OF BATESVILLE  
NOBLE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

(Continued)

FINDING NUMBER 2018-001 (Continued)

**Noncompliance and Material Weakness (Continued)**

This on-behalf revenue should have been recorded to the Enterprise Improvement Fund, in the amount of \$1,421,874, as intergovernmental revenue and debt principal expenditure.

For 2018 and 2017 this resulted in cash receipts and disbursements being understated and posted to improper funds on the Village's financial reports. In addition, the Village did not obtain an amended certificate for these new amounts of revenue or amend appropriations for the amounts deemed appropriated; therefore, these estimated receipts and supplemental appropriations were not recorded to their budgetary accounting system.

The Village should record the cash value benefit of these types of programs as memorandum receipts and disbursements in the year "on-behalf-of" disbursements are made. In addition, when such grants are awarded, the Village must amend budgeted receipts for all or part of the program based upon the date when cash disbursements are expected to be made on the Village's behalf. Once budgeted receipts have been amended, the Village should record the appropriations accordingly in the accounting system. Furthermore, the Village should establish a Sewer Improvement Fund to account for these sewer construction funds from OWDA. The construction monies should not be posted to the Sewer Operating Fund.

**Officials' Response:** "We did not receive a response from Officials to this finding."

FINDING NUMBER 2018-002

**Finding for Adjustment and Material Weakness**

The Village should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets document compliance with finance-related legal and contractual requirements and prepare financial statements. As part of this accounting system, the Village should have procedures in place for a review of transactions posted by the Fiscal Officer.

During 2018, the Fiscal Officer posted certain transactions incorrectly as follows:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements. The Village reported Special Revenue Fund as unassigned instead of restricted, in the amount of \$7,477; and
- Rollback and Homestead receipts were posted to Street Construction Maintenance and Repair Fund and State Highway Fund, in the amounts of \$377 and \$28, respectively instead of to the General Fund, in the amount of \$405;
- The Special Revenue fund expenditures, in the total amount of \$5,703 were classified as General Government instead of Transportation.

During 2017, the Fiscal Officer posted certain transactions incorrectly as follows:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements. The Village reported Special Revenue Fund as unassigned instead of restricted, in the amount of \$4,367; and

VILLAGE OF BATESVILLE  
NOBLE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

(Continued)

FINDING NUMBER 2018-002 (Continued)

**Finding for Adjustment and Material Weakness (Continued)**

- Rollback and Homestead receipts were posted to Street Construction Maintenance and Repair Fund and State Highway Fund, in the amounts of \$368 and \$28, respectively instead of to the General Fund, in the amount of \$396.
- The Special Revenue fund expenditures, in the total amount of \$5,803 were classified as General Government instead of Transportation.

These errors were due to a lack of management oversight. As a result, these significant reclassifications with which the Village's management agrees were made to the financial statements.

The Fiscal Officer should refer to the Village Officer's Handbook for proper classification and take additional care in posting transactions to the Village's ledgers in order to ensure the Village's year-end financial statements reflect the appropriate sources of the Village's receipts and expenditures. Also, the Fiscal Officer should review Auditor of State Bulletin 2011-004 for proper reporting of fund balances. Someone independent of the Fiscal Officer, preferably a Council member, should periodically review postings to the accounting system for accuracy.

**Officials' Response:** "We did not receive a response from Officials to this finding."

FINDING NUMBER 2018-003

**Significant Deficiency**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Village Council and/or other administrator are responsible for reviewing the reconciliations and related support.

A formal monthly bank to book reconciliation was not prepared or reviewed each month of 2018 and 2017. Account postings to receipt ledger, expenditure ledger and cashbook were made after receiving the monthly bank statement, therefore no reconciling items. Failure to post timely and prepare a reconciliation monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

VILLAGE OF BATESVILLE  
NOBLE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

(Continued)

FINDING NUMBER 2018-003

**Significant Deficiency (Continued)**

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Village Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

**Officials' Response:** "We did not receive a response from Officials to this finding."

FINDING NUMBER 2018-004

**Significant Deficiency**

Sound accounting practices require accurately posting estimated receipts approved by the County Budget Commission to the revenue budgetary ledger to provide information for budget versus actual comparison and to allow the Village Council to make informed decisions regarding revenue budgetary matters.

The original certificate and subsequent amendments establish the amounts available for expenditures for the Entity and the receipts ledger provides the process by which the Entity controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Village did not have procedures in place to accurately post authorized estimated receipts to the budgetary accounting system. Failure to accurately post estimated resources to the budgetary ledger could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and maintain a declining balance. The Village should then monitor budget versus actual receipts to help ensure amended certificates of resources have been properly posted to the ledgers and revenue is going to meet current needs.

**Officials' Response:** "We did not receive a response from Officials to this finding."



**Village of Batesville**  
55379 Calais Road  
Quaker City, Ohio 43773

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	Ohio Rev. Code § 5747.06(A), the Village neither withheld nor remitted any state income taxes during 2015 and 2016, nor did the Village have IT-4 form on file for its officials.	Not Corrected	The Village has not corrected during the audit period. This comment has been reissued in the Management Letter.
2016-002	26 U.S.C. § 3403, medicare payroll tax was withheld from employee's gross pay but the employee and employer share were never remitted to the Internal Revenue Service.	Partially Corrected	The Village withheld medicare tax from employee's gross pay for 2018 and 2017 but did not remit the 2017 employee and employer share to the Internal Revenue Service. This issue was reissued in the Management Letter.
2016-003	Ohio Rev. Code § 5705.38(A) and Ohio Rev. Code § 5705.41(B), the Village did not adopt a permanent appropriation measure timely.	Partially Corrected	The Village did not correct in 2017 but did correct in 2018. This issue was reissued in the Management Letter.
2016-004	Ohio Rev. Code § 5705.42, on-behalf payments from OWDA were not recorded in the accounting system.	Partially Corrected	The Village did record some on-behalf OWDA payments but not all of them received during the audit period. This issue was reissued as Finding 2018-001.
2016-005	Ohio Rev. Code § 5705.09(G) and Ohio Rev. Code § 5705.09(F), the Village did not create Sewer Enterprise Fund for sewer operating receipts and expenditures.	Corrected	In 2018, the Village created a Sewer Enterprise Fund.
2016-006	The Village had no internal control procedures to address segregation of duties.	Corrected	Village Council started receiving monthly reports in 2018.
2016-007	During 2016 and 2015, there were numerous posting errors.	Partially Corrected	During the current audit period there were still some errors. This issue was reissued as Finding 2018-002.
2016-008	Budgetary amounts passed by the legislative authority did not agree to the budgetary accounting system.	Partially Corrected	During the current audit period appropriations were posted to the budgetary accounting system but Estimated resources were not. This issue has been reissued as Finding 2018-004.
2016-009	Monthly bank reconciliations were not performed.	Not Corrected	Monthly bank reconciliations were not prepared consistently for 2018 and 2017. This issue was reissued as Finding 2018-003.

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# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF BATESVILLE**

**NOBLE 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  
FEBRUARY, 4 2020**