



**Auditor of State
Betty Montgomery**

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Bettsville
Seneca County
308 Emma Street, P.O. Box 485
Bettsville, Ohio 44815-0485

To the Village Council:

We have audited the accompanying financial statements of the Village of Bettsville, Seneca County, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 7, 2004

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 52,084	\$ 18,546	\$ -	\$ 70,630
Special Assessments	-	-	33,123	33,123
Intergovernmental Receipts	82,201	41,424	-	123,625
Charges for Services	29,389	-	-	29,389
Fines, Licenses, and Permits	45,642	-	-	45,642
Earnings on Investments	435	-	-	435
Miscellaneous	6,625	-	399	7,024
Total Cash Receipts	216,376	59,970	33,522	309,868
Cash Disbursements				
Current:				
Security of Persons and Property	100,327	16,233	-	116,560
Public Health Services	1,488	-	-	1,488
Transportation	-	43,904	-	43,904
General Government	55,138	488	-	55,626
Debt Service:				
Principal Payments	58,396	13,075	-	71,471
Interest Payments	1,363	3,238	-	4,601
Capital Outlay	49,665	3,872	1,223	54,760
Total Cash Disbursements	266,377	80,810	1,223	348,410
Total Receipts Over/(Under) Disbursements	(50,001)	(20,840)	32,299	(38,542)
Other Financing Receipts and (Disbursements)				
Sale of Notes	95,365	-	-	95,365
Transfers-In	-	18,256	-	18,256
Transfers-Out	(18,256)	-	-	(18,256)
Other Financing Sources	6,922	-	-	6,922
Other Financing Uses	(28,987)	(1,951)	(5,276)	(36,214)
Total Other Financing Receipts/(Disbursements)	55,044	16,305	(5,276)	66,073
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,043	(4,535)	27,023	27,531
Fund Cash Balances, January 1	49,258	7,450	96,178	152,886
Fund Cash Balances, December 31	\$ 54,301	\$ 2,915	\$ 123,201	\$ 180,417

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts			
Charges for Services	\$ 78,877	\$ -	\$ 78,877
Earnings on Investments	-	3,903	3,903
Miscellaneous	395	334	729
Total Operating Cash Receipts	<u>79,272</u>	<u>4,237</u>	<u>83,509</u>
Operating Cash Disbursements			
Personal Services	41,062	-	41,062
Supplies and Materials	31,022	-	31,022
Total Operating Cash Disbursements	<u>72,084</u>	<u>-</u>	<u>72,084</u>
Operating Income	<u>7,188</u>	<u>4,237</u>	<u>11,425</u>
Non-Operating Cash Receipts			
Earnings on Investments	181	-	181
Total Non-Operating Cash Receipts	<u>181</u>	<u>-</u>	<u>181</u>
Non-Operating Cash Disbursements			
Debt Service:			
Principal Payments	5,361	-	5,361
Interest Payments	3,507	-	3,507
Other Non-Operating Cash Disbursements	-	5,600	5,600
Total Non-Operating Cash Disbursements	<u>8,868</u>	<u>5,600</u>	<u>14,468</u>
Net Receipts Under Disbursements	(1,499)	(1,363)	(2,862)
Fund Cash Balances, January 1	<u>40,104</u>	<u>154,751</u>	<u>194,855</u>
Fund Cash Balances, December 31	<u><u>\$ 38,605</u></u>	<u><u>\$ 153,388</u></u>	<u><u>\$ 191,993</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 46,283	\$ 17,654	\$ -	\$ 63,937
Special Assessments	-	-	33,985	33,985
Intergovernmental Receipts	72,783	52,570	61,399	186,752
Charges for Services	22,560	-	-	22,560
Fines, Licenses, and Permits	37,103	-	-	37,103
Earnings on Investments	1,010	-	735	1,745
Miscellaneous	9,417	-	-	9,417
Total Cash Receipts	189,156	70,224	96,119	355,499
Cash Disbursements				
Current:				
Security of Persons and Property	101,879	20,188		122,067
Public Health Services	1,392			1,392
Transportation		36,258		36,258
General Government	58,545	422		58,967
Debt Service:				
Principal Payments	4,023	18,096		22,119
Interest Payments	174	2,404		2,578
Capital Outlay	41,375		109,652	151,027
Total Cash Disbursements	207,388	77,368	109,652	394,408
Total Disbursements Over Receipts	(18,232)	(7,144)	(13,533)	(38,909)
Other Financing Receipts and (Disbursements)				
Sale of Bonds or Notes	35,000			35,000
Transfers-In		4,769	20,509	25,278
Transfers-Out	(4,769)		(20,509)	(25,278)
Other Financing Sources	3,113			3,113
Other Financing Uses	(20,337)		(6,464)	(26,801)
Total Other Financing Receipts/(Disbursements)	13,007	4,769	(6,464)	11,312
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	(5,225)	(2,375)	(19,997)	(27,597)
Fund Cash Balances, January 1 (Restated)	54,483	9,825	116,175	180,483
Fund Cash Balances, December 31	\$ 49,258	\$ 7,450	\$ 96,178	\$ 152,886

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts			
Charges for Services	\$ 79,279	\$ -	\$ 79,279
Earnings on Investments	-	6,748	6,748
Miscellaneous	760	-	760
Total Operating Cash Receipts	<u>80,039</u>	<u>6,748</u>	<u>86,787</u>
Operating Cash Disbursements			
Personal Services	39,650	-	39,650
Supplies and Materials	38,744	-	38,744
Capital Outlay	85,645	-	85,645
Total Operating Cash Disbursements	<u>164,039</u>	<u>-</u>	<u>164,039</u>
Operating Income/(Loss)	<u>(84,000)</u>	<u>6,748</u>	<u>(77,252)</u>
Non-Operating Cash Receipts			
Earnings on Investments	839	-	839
Proceeds from Notes	65,000	-	65,000
Total Non-Operating Cash Receipts	<u>65,839</u>	<u>-</u>	<u>65,839</u>
Non-Operating Cash Disbursements			
Debt Service:			
Principal Payments	7,373	-	7,373
Interest Payments	1,495	-	1,495
Other Non-Operating Cash Disbursements	-	8,007	8,007
Total Non-Operating Cash Disbursements	<u>8,868</u>	<u>8,007</u>	<u>16,875</u>
Net Receipts Under Disbursements	<u>(27,029)</u>	<u>(1,259)</u>	<u>(28,288)</u>
Fund Cash Balances, January 1 (Restated)	<u>67,133</u>	<u>156,010</u>	<u>223,143</u>
Fund Cash Balances, December 31	<u>\$ 40,104</u>	<u>\$ 154,751</u>	<u>\$ 194,855</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Bettsville, Seneca County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, and police services. The Village appropriates general and special revenue fund money to support a volunteer fire department.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

Federal Wage Grant Fund - This fund receives a federal grant for the salaries of police officers.

Fire Levy Fund - This fund receives tax revenue for the purchase of fire equipment.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

OWDA Fund - This fund receives revenue from the Ohio Water Development Authority to finance the Wastewater Improvement Project.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

5. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

trust, the fund is classified as a nonexpendable trust fund. The Village had the following significant fiduciary funds:

Grace Frankhauser Trust – This fund uses investment revenue to give scholarships to students of the Village.

Sadie Grimes Trust – This fund uses investment revenue to give scholarships to students of the Village.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH

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

	2003	2002
Demand deposits	\$ 221,838	\$ 179,543
Certificates of deposit	150,572	168,198
Total deposits	\$ 372,410	\$ 347,741

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

3. PRIOR PERIOD ADJUSTMENT

Certain grant activity was reported in the General Fund rather than the Special Revenue Fund during fiscal year 2001. In addition, interest revenue was incorrectly recorded. These adjustments resulted in a change in the beginning fund balance for 2002. The effect of these adjustments as previously report is as follows:

	General	Special Revenue	Enterprise	Nonexpendable Trust
Fund Balance December 31, 2001	\$ 56,074	\$ 8,234	\$ 67,165	\$ 155,172
Reclassified grant activity	(1,591)	1,591		
Correct interest income			(32)	838
Restated Fund Balance January 1, 2002	\$ 54,483	\$ 9,825	\$ 67,133	\$ 156,010

(Continued)

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

	General	Special Revenue	Enterprise	Nonexpendable Trust
(Continued)				
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements or net receipts over/ (under) Disbursements as previously reported	\$ 9,042	\$ 2,910	\$ (5,561)	\$ 1,796
Adjustments	(1,591)	1,591	(32)	838
Restated excess of cash receipts and other financing receipts over cash disbursements or net receipts over/ (under) disbursements as of December 31, 2001	\$ 7,451	\$ 4,501	\$ (5,593)	\$ 2,634

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 201,402	\$ 318,663	\$ 117,261
Special Revenue	106,258	78,226	(28,032)
Capital Projects	36,200	33,522	(2,678)
Enterprise	87,400	79,453	(7,947)
Fiduciary	3,900	4,237	337
Total	\$ 435,160	\$ 514,101	\$ 78,941

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 251,171	\$ 313,620	\$ (62,449)
Special Revenue	98,784	82,761	16,023
Capital Projects	130,897	6,499	124,398
Enterprise	127,431	80,952	46,479
Fiduciary	10,000	5,600	4,400
Total	<u>\$ 618,283</u>	<u>\$ 489,432</u>	<u>\$ 128,851</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 205,043	\$ 227,269	\$ 22,226
Special Revenue	67,297	74,993	7,696
Capital Projects	130,000	116,628	(13,372)
Enterprise	148,400	145,878	(2,522)
Fiduciary	8,000	6,748	(1,252)
Total	<u>\$ 558,740</u>	<u>\$ 571,516</u>	<u>\$ 12,776</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 223,125	\$ 232,494	\$ (9,369)
Special Revenue	99,491	77,368	22,123
Capital Projects	147,208	136,625	10,583
Enterprise	215,565	172,907	42,658
Fiduciary	10,000	8,007	1,993
Total	<u>\$ 695,389</u>	<u>\$ 627,401</u>	<u>\$ 67,988</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and OWDA funds by \$62,449 and \$1,223 for the year ended December 31, 2003. Budgetary Expenditures exceeded appropriation authority in the General and Sewer

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Assessment Funds by \$9,369 and \$21,933 for the year ended December 31, 2002. Also contrary to Ohio law, twenty-one percent of expenditure transactions were not certified by the fiscal officer at the time the commitment was incurred.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Planning Loan	\$ 6,500	0%
Ohio Water Development Authority Design Loan	405,900	5.54%
Water Tower Loan	52,265	6%
Fire Equipment Loan	46,925	6%
Police Cruiser Loan	18,365	4.9%
Bridge Repair Loan	17,000	6%
Total	<u>\$ 546,955</u>	

The Ohio Water Development Authority (OWDA) Planning loan relates to planning activities for the sewer plant project. The loan is collateralized by sewer receipts.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

The Ohio Water Development Authority Design loan relates to a loan to cover the preliminary engineering services for the Village's sewer project. The OWDA has approved up to \$350,000 in loans to the Village for this portion of the project. The Principal outstanding includes capitalized interest on the funds loaned. No amortization schedule is available because OWDA is still disbursing money for the project. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Water Tower Loan relates to a commercial bank loan for improvements made to the Village's water tower. The loan is collateralized by tax revenues.

The Fire Equipment Loan relates to a commercial bank loan for the purchase of equipment for the fire department. The loan is collateralized by the 91 Ford Truck and 82 Simon Duplex Truck.

The Police Cruiser Loan relates to a commercial bank loan for the purchase of a new police cruiser. The loan is collateralized by the 2003 Crown Victoria police cruiser.

The Bridge Repair Loan relates to a commercial bank loan for improvements made to a damaged bridge. The loan is collateralized by tax revenue.

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

Year Ending December 31	OWDA Planning Loan	Water Tower Loan	Fire Equipment Loan	Police Cruiser Loan	Bridge Repair Loan
2004	\$ 1,300	\$ 8,868	\$ 8,156	\$ 6,741	\$ 4,082
2005	1,300	8,868	8,156	6,741	4,082
2006	1,300	8,868	8,156	6,740	4,082
2007	1,300	8,868	8,156	-	4,082
2008	1,300	8,868	8,156	-	4,082
2009 - 2011	-	22,417	18,780	-	-
Total	<u>\$ 6,500</u>	<u>\$ 66,757</u>	<u>\$ 59,560</u>	<u>\$ 20,222</u>	<u>\$ 20,410</u>

7. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation. If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	2002	2001
Assets	\$ 20,174,977	\$ 19,358,458
Liabilities	(8,550,749)	(8,827,588)
Retained Earnings	\$ 11,624,228	\$ 10,530,870
<u>Property Coverage</u>	2002	2001
Assets	\$ 2,565,408	\$ 1,890,323
Liabilities	(655,318)	(469,100)
Retained Earnings	\$ 1,910,090	\$ 1,421,223



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Bettsville
Seneca County
308 Emma Street, P.O. Box 485
Bettsville, Ohio 44815-0485

To the Village Council:

We have audited the accompanying financial statements of the Village of Bettsville, Seneca County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 7, 2004.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over

financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 7, 2004.

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

April 7, 2004

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

- a. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- b. If the amount involved is less than \$1,000 (\$3,000 after April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

Twenty-one percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. To improve controls over disbursements, we recommend that all Village disbursements receive certification of the fiscal officer that the funds are or will be available.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. The following funds had expenditures in excess of appropriations.

FINDING NUMBER 2003-002
 (Continued)

FY 2003			
<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance</u>
General	\$ 313,620	\$ 251,171	\$ (62,449)
OWDA	1,223	-	(1,223)

FY 2002			
<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance</u>
General	\$ 232,494	\$ 223,125	\$ (9,369)
Sewer Assess.	26,973	5,040	(21,933)

We recommend the Village approve supplemental appropriations when necessary.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> :
2001-30574-001	Ohio Revised Code § 5705.41(D) failure to certify funds.	No	Not corrected. Reissued as Finding # 2003-001.



**Auditor of State
Betty Montgomery**

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VILLAGE OF BETTSVILLE

SENECA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 11, 2004**