



**VILLAGE OF BETTSVILLE  
SENECA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF BETTSVILLE  
SENECA COUNTY

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# Mary Taylor, CPA

Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

May 7, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Bettsville  
Seneca County  
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, 2007 and 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Bettsville, Seneca County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

May 7, 2008



**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, 2007**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$35,014	\$18,008		\$53,022
Municipal Income Tax	33,178			33,178
Intergovernmental	70,779	40,076	\$92,939	203,794
Charges for Services	50,480	100		50,580
Fines, Licenses and Permits	15,934			15,934
Earnings on Investments	13,161	524		13,685
Miscellaneous	1,688			1,688
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	220,234	58,708	92,939	371,881
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	52,167	205		52,372
Community Environment	1,475			1,475
Basic Utility Service	1,270			1,270
Transportation		43,335		43,335
General Government	47,853			47,853
Debt Service:				
Redemption of Principal	3,500	7,965		11,465
Interest and Fiscal Charges	582	260	92,939	93,781
Capital Outlay		4,333		4,333
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	106,847	56,098	\$92,939	255,884
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	113,387	2,610		115,997
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Capital Assets	19,500			19,500
Advances-Out	(23,000)			(23,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Disbursements	(3,500)			(3,500)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	109,887	2,610		112,497
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	28,309	33,020		61,329
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$138,196</b>	<b>\$35,630</b>		<b>\$173,826</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserve for Encumbrances, December 31	\$7,000			\$7,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*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 FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$281,686		\$281,686
Earnings on Investments		\$4,727	4,727
<b>Total Operating Cash Receipts</b>	<b>281,686</b>	<b>4,727</b>	<b>286,413</b>
<b>Operating Cash Disbursements:</b>			
Personal Services	55,004		55,004
Employee Fringe Benefits	19,875		19,875
Contractual Services	37,497		37,497
Supplies and Materials	11,086		11,086
<b>Total Operating Cash Disbursements</b>	<b>123,462</b>		<b>123,462</b>
Operating Income	158,224	4,727	162,951
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental	4,883		4,883
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	27,526		27,526
Redemption of Principal	36,329		36,329
Interest and Other Fiscal Charges	11,415		11,415
Other Non-Operating Cash Disbursements		1,000	1,000
<b>Total Non-Operating Cash Disbursements</b>	<b>75,270</b>	<b>1,000</b>	<b>76,270</b>
Excess of Receipts Over Disbursements Before Interfund Advances	87,837	3,727	91,564
Advances-In	23,000		23,000
Net Receipts Over Disbursements	110,837	3,727	114,564
Fund Cash Balances, January 1	339,607	148,483	488,090
<b>Fund Cash Balances, December 31</b>	<b>\$450,444</b>	<b>\$152,210</b>	<b>\$602,654</b>
Reserve for Encumbrances, December 31	\$15,846		\$15,846

*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, 2006**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$34,970	\$17,869		\$52,839
Intergovernmental	91,792	43,956	\$137,544	273,292
Charges for Services	24,480	1,026		25,506
Fines, Licenses and Permits	32,883			32,883
Earnings on Investments	640	11		651
Miscellaneous	6,344	9,750		16,094
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	191,109	72,612	137,544	401,265
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	112,051	25,535		137,586
Public Health Services	1,558			1,558
Community Environment	375			375
Transportation		29,299		29,299
General Government	63,942			63,942
Debt Service:				
Redemption of Principal	13,141	25,173		38,314
Interest and Fiscal Charges	1,915	2,827	57,129	61,871
Capital Outlay		4,850	134,032	138,882
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	192,982	87,684	191,161	471,827
Total Receipts Under Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(1,873)	(15,072)	(53,617)	(70,562)
<b>Other Financing Receipts / (Disbursements):</b>				
Advances-In	38,000	400		38,400
Advances-Out	(15,400)			(15,400)
Other Financing Uses	(30)			(30)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	22,570	400		22,970
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	20,697	(14,672)	(53,617)	(47,592)
Fund Cash Balances, January 1	7,612	47,692	\$53,617	108,921
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$28,309</b>	<b>\$33,020</b>	<b>\$53,617</b>	<b>\$61,329</b>

*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 FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$278,846		\$278,846
Earnings on Investments		\$4,450	4,450
Total Operating Cash Receipts	<u>278,846</u>	<u>4,450</u>	<u>283,296</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	104,865		104,865
Employee Fringe Benefits	15,978		15,978
Contractual Services	31,328		31,328
Supplies and Materials	20,097		20,097
Total Operating Cash Disbursements	<u>172,268</u>		<u>172,268</u>
Operating Income	<u>106,578</u>	<u>4,450</u>	<u>111,028</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental	9,982		9,982
Special Assessments	3,721		3,721
Sale of Bonds	2,160,000		2,160,000
Sale of Capital Assets	5,500		5,500
Total Non-Operating Cash Receipts	<u>2,179,203</u>		<u>2,179,203</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	144,308		144,308
Redemption of Principal	2,209,851		2,209,851
Interest and Other Fiscal Charges	17,331		17,331
Other Non-Operating Cash Disbursements		1,000	1,000
Total Non-Operating Cash Disbursements	<u>2,371,490</u>	<u>1,000</u>	<u>2,372,490</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Advances	(85,709)	3,450	(82,259)
Advances-In	15,000		15,000
Advances-Out	<u>(38,000)</u>		<u>(38,000)</u>
Net Receipts Over/(Under) Disbursements	(108,709)	3,450	(105,259)
Fund Cash Balances, January 1	<u>448,316</u>	<u>145,033</u>	<u>593,349</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$339,607</u></u></b>	<b><u><u>\$148,483</u></u></b>	<b><u><u>\$488,090</u></u></b>

*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, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Bettsville, Seneca County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. 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. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

**C. Cash**

The Village values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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.

**VILLAGE OF BETTSVILLE  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Fire Levy Fund – This fund receives property tax revenues that are restricted for fire department uses.

2005/2006 FEMA Fire Equipment Grant – This fund accounts for a grant from the Federal Emergency Management Agency for fire equipment.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

USDA Grant Fund – This fund receives a federal grant from the United States Department of Agriculture to be used towards the wastewater improvement project.

OPWC Grant Fund – This fund receives a state grant from the Ohio Public Works Commission to be used towards the wastewater improvement project.

**4. Enterprise Funds**

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

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

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

**5. Fiduciary Funds**

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

The Village's private purpose trust funds are trusts which account for scholarship programs for students. The Village had the following significant fiduciary funds:

Grace Frankhauser Trust – This fund receives interest revenue to give scholarships to students of the Village.

Sadie Grimes Trust – This fund receives interest revenue to give scholarships to students of the Village.

**VILLAGE OF BETTSVILLE  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**VILLAGE OF BETTSVILLE  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**2. EQUITY IN POOLED CASH**

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

	2007	2006
Demand deposits	\$628,124	\$405,780
Certificates of deposit	148,356	143,639
Total deposits	\$776,480	\$549,419

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$144,978	\$239,734	\$94,756
Special Revenue	58,016	58,708	692
Capital Projects	92,880	92,939	59
Enterprise	170,910	286,569	115,659
Trust	65	4,727	4,662
Total	\$466,849	\$682,677	\$215,828

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$168,191	\$113,847	\$54,344
Special Revenue	65,525	56,098	9,427
Capital Projects	93,200	92,939	261
Enterprise	336,599	214,578	122,021
Trust		1,000	(1,000)
Total	\$663,515	\$478,462	\$185,053



**VILLAGE OF BETTSVILLE  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY – (CONTINUED)**

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$175,000	\$191,109	\$16,109
Special Revenue	60,066	72,612	12,546
Capital Projects		137,544	137,544
Enterprise	104,107	2,458,049	2,353,942
Trust		4,450	4,450
Total	\$339,173	\$2,863,764	\$2,524,591

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$193,012	(\$193,012)
Special Revenue		87,684	(87,684)
Capital Projects		191,161	(191,161)
Enterprise		2,543,758	(2,543,758)
Trust		1,000	(1,000)
Total		\$3,016,615	(\$3,016,615)

Contrary to Ohio law, the Village did not approve annual appropriations in 2006. This caused budgetary expenditures to exceed appropriation authority in all funds by \$3,016,615 for the year ended December 31, 2006. Also contrary to Ohio law, expenditures exceeded appropriation authority for the Trust funds by \$1,000 for the year ended December 31, 2007.

**4. PROPERTY TAX**

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

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

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.

**VILLAGE OF BETTSVILLE  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. In the latter case, the Village allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed.

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

**6. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #4084	\$932,657	1.00%
Old Fort Bank Water Tower Loan	27,293	6.00%
Old Fort Bank Bridge Loan	3,809	6.00%
Mortgage Revenue Bonds Series 2006	<u>2,160,000</u>	4.50%
Total	<u><u>\$3,123,759</u></u>	

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

The Old Fort Bank Water Tower Loan relates to a \$65,000 commercial bank loan entered into on June 4, 2002 for improvements made to the Village's water tower. The Village will repay the loan in annual installments, including interest over nine years with a maturity date of December 31, 2011. The loan is collateralized by tax revenues.

The Old Fort Bank Bridge Loan relates to a \$17,000 commercial bank loan entered into on November 4, 2003 for improvements made to a damaged bridge. The Village will repay the loan in annual installments, including interest over five years with a maturity date of December 31, 2008. The loan is collateralized by tax revenue.

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

The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund. The balance in the fund at December 31, 2007 is \$20,818.

**VILLAGE OF BETTSVILLE  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. DEBT – (CONTINUED)**

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

Year ending December 31:	OWDA Loan	Water Tower Loan	Bridge Loan	Mortgage Revenue Bonds
2008	\$38,876	\$8,868	\$4,082	\$118,500
2009	38,876	8,868		118,542
2010	38,876	8,868		118,538
2011	38,876	4,680		118,490
2012	38,876			118,496
2013 - 2017	194,380			592,382
2018 - 2022	194,380			592,356
2023 - 2027	194,380			592,351
2028 - 2032	194,380			592,389
2033 - 2037	116,628			592,537
2038 - 2042				592,467
2043 - 2047				473,974
Total	<u>\$1,088,528</u>	<u>\$31,284</u>	<u>\$4,082</u>	<u>\$4,621,022</u>

**7. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9.0%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**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 coverage 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.

**VILLAGE OF BETTSVILLE  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**8. RISK MANAGEMENT – (CONTINUED)**

Casualty Coverage

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses.

Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF BETTSVILLE  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**8. RISK MANAGEMENT – (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, 2006 and 2005 (the latest information available):

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	(15,875,741)	(15,994,168)
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	(863,163)	(1,068,245)
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$37,404. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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

<b><u>Contributions to PEP</u></b>	
2005	\$18,685
2006	\$18,702
2007	\$18,767

**VILLAGE OF BETTSVILLE  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**8. RISK MANAGEMENT – (CONTINUED)**

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

**9. 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.

**10. RELATED PARTY TRANSACTIONS**

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



# Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Bettsville, Seneca County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 7, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely

affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider item number 2007-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain matters that we reported to the Village's management in a separate letter dated May 7, 2008.

#### **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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-002, 2007-003, and 2007-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 7, 2008.

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

We intend this report solely for the information and use of the audit committee, management and the Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

May 7, 2008



**VILLAGE OF BETTSVILLE  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Material Weakness**

**Financial Reporting**

As a result of the audit procedures performed, errors were noted in the financial statements that required material audit adjustments. For fiscal year 2006, intergovernmental revenues (\$1,155) were posted in the General fund and should have been posted to the Fire Levy fund. Miscellaneous revenue (\$9,750) was misclassified as charges for services in the Street Construction, Maintenance, and Repair fund. The Sewer Special Assessment fund was classified as a Special Revenue fund and was then changed to a Capital Project fund when it should have been classified as an Enterprise fund and OPWC grant revenues (\$12,615) were misposted in this fund and misclassified as miscellaneous revenue when they should have been posted to the OPWC Sewer Grant Construction fund and been classified as intergovernmental revenue. Motor vehicle and license tax revenues (\$3,832) were posted to their own fund when they should have been posted to the Street Construction, Maintenance, and Repair fund and the State Highway fund. OPWC grant revenues (\$57,129) and the related interest payment (\$57,129) were not recorded in the OPWC Sewer Grant Construction fund. The sale of mortgage revenue bonds (\$2,160,000) and the related redemption of principal expenditure (\$2,160,000) were not recorded in the Sewer Operating fund. OPWC grant revenues (\$9,982) were misposted in the Sewer Operating fund and misclassified as charges for services when they should have been posted to the OPWC Sewer Grant Construction fund and classified as intergovernmental revenue. The Frankhauser Trust and Sadie Grimes Trust were misclassified as Permanent funds when they should have been classified as Private Purpose Trust funds and earnings on investments were not recorded in the Frankhauser Trust (\$1,666) and Sadie Grimes Trust (\$2,772). For fiscal year 2007, land was sold (\$19,500) and was misclassified in the General Fund as miscellaneous revenue instead of a sale of capital assets. Motor vehicle and license tax revenues (\$4,143) were posted to their own fund and as well as the related transportation expenses (\$2,937) when they should have been posted to the Street Construction, Maintenance, and Repair fund and the State Highway fund. The Sewer Special Assessment fund was classified as a Capital Project fund when it should have been classified as an Enterprise fund. OPWC grant revenues (\$97,882) were misposted in the Sewer Debt Service fund when they should have been posted to the Sewer Operating fund (\$4,883) and the OPWC Sewer Grant Construction fund (\$92,939), and the related interest and other fiscal charges expenditure (\$92,939) should have also been posted to the OPWC Sewer Grant Construction fund. The Frankhauser Trust and Sadie Grimes Trust were misclassified as Permanent funds when they should have been classified as Private Purpose Trust funds and earnings on investments were not recorded in the Frankhauser Trust (\$2,501) and Sadie Grimes Trust (\$2,217).

Sound financial reporting is the responsibility of the Fiscal Officer and 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 statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the annual report by Council to identify and correct errors and omissions.

**FINDING 2007-001  
(continued)**

**Officials Response:** The Fiscal Officer has posted the necessary adjustments and reclassified the funds which should correct the problem.

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

In 2006, the Village passed temporary appropriations. The Village was using these temporary appropriations as their permanent appropriations and never legally passed a permanent appropriation resolution.

We recommend that the Village pass permanent appropriations each year as outlined in the Ohio Revised Code.

**Officials Response:** The Village Council passed permanent appropriations in 2007 and will continue to do so in the future.

**FINDING NUMBER 2007-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

The Village did not adopt permanent appropriations in 2006 which caused all expenditures to exceed appropriations. During our compliance testing we also found instances of supplemental appropriations posted to the appropriation ledger; however, there was no evidence that Council adopted a formal resolution approving these supplemental appropriations.

**FINDING NUMBER 2007-003  
 (continued)**

This caused some expenditures to exceed appropriations in 2007. Noncompliance was found in the following funds:

Fund	Appropriations	Expenditures	Variance
<b>2006</b>			
General		\$193,012	(\$193,012)
Street Maintenance and Repair		28,408	(28,408)
State Highway		891	(891)
FEMA Fire Equipment Grant		25,108	(25,108)
Special Levy Fire Equipment		33,277	(33,277)
USDA Sewer Grant		121,417	(121,417)
OPWC Sewer Grant		69,744	(69,744)
Sewer Special Assessment		242,500	(242,500)
Water Operating		76,716	(76,716)
Sewer Operating		2,224,542	(2,224,542)
Grimes Trust		1,000	(1,000)
<b>2007</b>			
Frankhouser Trust		1,000	(1,000)

Management was advised that failure to have adequate appropriations in place at the time of the expenditures are being made could cause deficit spending practices.

The Village should adopt permanent appropriations each year and the Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Officials Response:** The Village Council will continue to pass permanent appropriations and understands that transactions can not be recorded if they exceed appropriations and that the Fiscal Officer may increase appropriations upon Council approval and obtaining an amended certificate of estimated resources.

**FINDING NUMBER 2007-004**

**Noncompliance Citation**

Chapter 5705 of the Revised Code sets forth a scheme that provides for a uniform budget and appropriation process in order to assure that a governmental entity expends no more than it expects to receive in revenue. In order to accomplish this end, all appropriations must be accounted to and from each appropriation fund. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded. R.C. 5705.42. Thus, a mechanism is still required to account for receipt and expenditure. That mechanism is an amendment of, or a supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation. R.C. 5705.40. An original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, that measure also requires legislative action. R.C. 5705.38. Additionally, R.C. 5705.41(B) states that no political subdivision is to expend money unless it has been appropriated.

In 2006, the Village was the beneficiary of \$57,129 of Ohio Public Work Commission (OPWC) money that was sent directly to the vendor. This activity was not recorded on the ledgers of the Village. Since OPWC paid this directly, the Village did not receive this cash. However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Village applies for a project and has administrative responsibilities. The accompanying financial statements and budgetary activity were adjusted to reflect these amounts in a Capital Project Fund. This fund was not appropriated causing expenditures to exceed appropriations in the Capital Projects fund by \$57,129, contrary to R.C. 5705.41(B).

We recommend the Village record all benefits received from state or federal grants as a memo receipt and expenditure on the Village's records and appropriate funds for the expenditures. In addition, Village management should review Auditor of State Bulletins 2000-008 and 2002-004.

**Officials Response:** Village officials understand the importance and need to record all benefits received from federal or state grants in their records and will work to correct this issue in the future.

**VILLAGE OF BETTSVILLE  
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	ORC § 5705.36(A)(2) – failure to obtain amended certificates	Yes	
2005-002	ORC § 5705.41(B) – failure to have adequate appropriations for expenditures	No	Not Corrected. Repeated as Finding 2007-003
2005-003	ORC § 5705.41(D) – failure to properly certify expenditures	No	Partially corrected. Repeated in management letter.
2005-004	Utility Adjustment Policy	Yes	





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF BETTSVILLE**

**SENECA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 3, 2008**