



**VILLAGE OF BETTSVILLE
SENECA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009



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 505
Bettsville, Ohio 44815-0505

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 20, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Bettsville
Seneca County
P.O. Box 505
Bettsville, Ohio 44815-0505

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, 2009 and 2008. 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, 2009 and 2008 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, 2009 and 2008, 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, 2009 and 2008, 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 October 20, 2010, 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

October 20, 2010

**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, 2009**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$22,803	\$25,271		\$48,074
Municipal Income Tax	118,276			118,276
Intergovernmental	70,224	40,943	\$41,572	152,739
Charges for Services	38,980	22,986		61,966
Fines, Licenses and Permits	16,911			16,911
Earnings on Investments	1,622	99		1,721
Miscellaneous	8,384	15,209		23,593
	<u>277,200</u>	<u>104,508</u>	<u>41,572</u>	<u>423,280</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	99,914	233		100,147
Leisure Time Activities		59,983		59,983
Community Environment	2,275			2,275
Basic Utility Service	5,164			5,164
Transportation		35,960		35,960
General Government	62,728		74,520	137,248
Capital Outlay		18,708		18,708
	<u>170,081</u>	<u>114,884</u>	<u>74,520</u>	<u>359,485</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>107,119</u>	<u>(10,376)</u>	<u>(32,948)</u>	<u>63,795</u>
Other Financing Receipts:				
Sale of Capital Assets	<u>3,250</u>			<u>3,250</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	110,369	(10,376)	(32,948)	67,045
Fund Cash Balances, January 1	<u>208,593</u>	<u>47,405</u>		<u>255,998</u>
Fund Cash Balances, December 31	<u>\$318,962</u>	<u>\$37,029</u>	<u>(\$32,948)</u>	<u>\$323,043</u>
Reserve for Encumbrances, December 31	<u>\$749</u>	<u>\$306</u>		<u>\$1,055</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 PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$366,942		\$366,942
Operating Cash Disbursements:			
Personal Services	46,229		46,229
Employee Fringe Benefits	11,622		11,622
Contractual Services	37,323		37,323
Supplies and Materials	19,296		19,296
Total Operating Cash Disbursements	114,470		114,470
Operating Income	252,472		252,472
Non-Operating Cash Receipts:			
Earnings on Investments		\$4,259	4,259
Non-Operating Cash Disbursements:			
Capital Outlay	21,505		21,505
Redemption of Principal	44,123		44,123
Interest and Other Fiscal Charges	102,725		102,725
Other Non-Operating Cash Disbursements		2,000	2,000
Total Non-Operating Cash Disbursements	168,353	2,000	170,353
Net Receipts Over Disbursements	84,119	2,259	86,378
Fund Cash Balances, January 1	514,723	157,422	672,145
Fund Cash Balances, December 31	\$598,842	\$159,681	\$758,523
Reserve for Encumbrances, December 31	\$875		\$875

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, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$37,687	\$16,435	\$54,122
Municipal Income Tax	65,432		65,432
Intergovernmental	69,216	41,440	110,656
Charges for Services	37,480	2,350	39,830
Fines, Licenses and Permits	17,180		17,180
Earnings on Investments	7,774	266	8,040
Miscellaneous	1,344		1,344
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	236,113	60,491	296,604
Cash Disbursements:			
Current:			
Security of Persons and Property	78,761	452	79,213
Community Environment	275		275
Basic Utility Service	9,590		9,590
Transportation		39,400	39,400
General Government	73,056		73,056
Debt Service:			
Redemption of Principal	3,600		3,600
Interest and Fiscal Charges	434		434
Capital Outlay		8,864	8,864
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	165,716	48,716	214,432
Total Receipts Over Disbursements	70,397	11,775	82,172
Fund Cash Balances, January 1	138,196	35,630	173,826
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$208,593</u>	<u>\$47,405</u>	<u>\$255,998</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 PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$371,500		\$371,500
Miscellaneous	14,307		14,307
Total Operating Cash Receipts	<u>385,807</u>		<u>385,807</u>
Operating Cash Disbursements:			
Personal Services	50,586		50,586
Employee Fringe Benefits	16,510		16,510
Contractual Services	44,787		44,787
Supplies and Materials	18,819		18,819
Total Operating Cash Disbursements	<u>130,702</u>		<u>130,702</u>
Operating Income	<u>255,105</u>		<u>255,105</u>
Non-Operating Cash Receipts:			
Intergovernmental	16,955		16,955
Earnings on Investments		\$8,212	8,212
Total Non-Operating Cash Receipts	<u>16,955</u>	<u>8,212</u>	<u>25,167</u>
Non-Operating Cash Disbursements:			
Capital Outlay	41,537		41,537
Redemption of Principal	57,823		57,823
Interest and Other Fiscal Charges	108,421		108,421
Other Non-Operating Cash Disbursements		3,000	3,000
Total Non-Operating Cash Disbursements	<u>207,781</u>	<u>3,000</u>	<u>210,781</u>
Net Receipts Over Disbursements	64,279	5,212	69,491
Fund Cash Balances, January 1	<u>450,444</u>	<u>152,210</u>	<u>602,654</u>
Fund Cash Balances, December 31	<u>\$514,723</u>	<u>\$157,422</u>	<u>\$672,145</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, 2009 AND 2008**

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, park operations, 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, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Park and Recreation Fund – This fund receives property tax revenues that are restricted for park use, charges for services and donations to operate the park.

3. Capital Project Fund

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

Grant Construction Fund – This fund receives a state grant from the Ohio Public Works Commission to be used towards the sewer 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.

Sewer Bond Debt Fund - This fund receives a utility surcharge to repay the USDA loan.

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 fiduciary funds:

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

Sadie Grimes Trust Fund - 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, 2009 AND 2008
(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 2009 and 2008 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.

2. Equity in Pooled Deposits

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$921,885	\$770,721
Certificates of deposit	159,681	157,422
Total deposits	<u>\$1,081,566</u>	<u>\$928,143</u>

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. Equity in Pooled Deposits (Continued)

Deposits: 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, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$211,392	\$280,450	\$69,058
Special Revenue	55,637	104,508	48,871
Capital Projects		41,572	41,572
Enterprise	349,550	366,942	17,392
Trust	4,000	4,259	259
Total	\$620,579	\$797,731	\$177,152

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$225,218	\$170,830	\$54,388
Special Revenue	103,525	115,190	(11,665)
Capital Projects	35,760	74,520	(38,760)
Enterprise	381,250	283,698	97,552
Trust	4,000	2,000	2,000
Total	\$749,753	\$646,238	\$103,515

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$196,468	\$236,113	\$39,645
Special Revenue	58,425	60,491	2,066
Enterprise	322,500	402,762	80,262
Trust	9	8,212	8,203
Total	\$577,402	\$707,578	\$130,176

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$190,489	\$165,716	\$24,773
Special Revenue	67,800	48,716	19,084
Capital Projects	25,646		25,646
Enterprise	338,639	338,483	156
Trust	4,000	3,000	1,000
Total	\$626,574	\$555,915	\$70,659

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Parks and Recreation Fund by \$19,983 and Grant Construction Fund by \$38,760 for the year ended December 31, 2009 and in the Sewer Special Assessment Fund by \$41,507 for the year ended December 31, 2008. Also contrary to Ohio law, at December 31, 2009, the Park and Recreation Fund and the Grant Construction Fund had cash deficit balances of \$14,031 and \$32,948, respectively.

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.

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.

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.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #4084	\$888,111	1.00%
Old Fort Bank Water Tower Loan	13,346	6.00%
Mortgage Revenue Bonds Series 2006	<u>2,116,400</u>	4.50%
Total	<u><u>\$3,017,857</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 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, 2009 is \$44,818.

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

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

Year ending December 31:	<u>OWDA Loan</u>	<u>Water Tower Loan</u>	<u>Mortgage Revenue Bonds</u>
2010	\$38,876	\$8,869	\$118,538
2011	38,876	4,679	118,490
2012	38,876		118,496
2013	38,876		118,453
2014	38,876		118,461
2015 - 2019	194,379		592,416
2020 - 2024	194,379		592,320
2025 - 2029	194,378		592,320
2030 - 2034	194,378		592,546
2035 - 2039	38,875		592,422
2040 - 2044			592,522
2045 - 2049			236,988
Total	<u>\$1,010,769</u>	<u>\$13,548</u>	<u>\$4,383,972</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 plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

8. 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.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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, 2009 AND 2008
(Continued)**

8. Risk Management (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Village's share of these unpaid claims collectible in future years is approximately \$16,000.

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

<u>Contributions to PEP</u>	
<u>2009</u>	<u>2008</u>
\$17,260	\$17,488

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Risk Management (Continued)

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

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

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.

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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 505
Bettsville, Ohio 44815-0505

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, 2009 and 2008, and have issued our report thereon dated October 20, 2010, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weaknesses and another deficiency we consider to be 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-004 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 finding 2009-002 described in the accompanying schedule of findings to be a significant deficiency.

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 or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-003, 2009-005 and 2009-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 20, 2010.

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

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



Mary Taylor, CPA
Auditor of State

October 20, 2010

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

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 2008: Intergovernmental revenues (\$13,275) for EMA flood relief were misposted as Miscellaneous Revenue in the Enterprise Fund. Interest earned in 2006 and 2007 was posted in 2008 (\$9,155) in the Private Purpose Trust Funds.

For fiscal year 2009: In the General Fund, the Village sold a truck and misposted the Sale of Capital Assets as Miscellaneous Revenue (\$3,250). OPWC Revenue (\$5,812) for the Storm Sewer Project was misposted as Miscellaneous Revenue in the General Fund instead of Intergovernmental Revenue in the Capital Project Grant Construction Fund. A September payment to the Sewer Bond Debt Service Fund (\$10,000) was misposted as Property Taxes in the General Fund. In the Special Revenue Park and Recreation Fund park donations were classified as Charges for Services instead of Miscellaneous Revenue (\$9,000); camp site charges and park usage were classified as Miscellaneous instead of Charges for Services (\$535). OPWC paid S & S Builders & Excavating, LLC directly for the Storm Sewer Project (\$35,760), this amount was not recorded. Interest earned on trust fund CD's was not posted to the Private Purpose Funds (\$4,255).

There were no resolutions/ordinances approving transfers and advances, therefore they were adjusted off the financial statements; General Fund transfers out (\$10,000) and advances out (\$55,820); Special Revenue Park and Recreation Fund transfers in (\$10,000) and advances in (\$20,000); Capital Projects Grant Construction Fund transfers in (\$2,940) and advances in (\$35,820); and Enterprise Sewer Special Assessment Capital Improvement Fund transfers out (\$2,940).

The attached financial statements and Village accounting records have been adjusted for these changes. These adjustments caused deficit balances at December 31, 2009 in the Parks and Recreation Fund and the Grant Construction Fund of \$14,031 and \$32,948, respectively.

The following errors were not considered material and were not adjusted.

For fiscal year 2008: Municipal Income Tax receipts were posted at net rather than at gross in the General Fund (\$3,385). Intergovernmental Revenue from Personal Property Tax for House Bill 66 was misposted as Taxes, (\$1,157 General Fund and \$381 Fire Fund).

For fiscal year 2009: Municipal Income Tax receipts were recorded at net rather than gross and posting unrecorded expenditures in the General Fund (\$6,164). Intergovernmental Revenue was misposted as Taxes for Personal Property Tax for House Bill 66 (\$2,661 General Fund, \$877 Fire Fund). The 1st half Real Estate Settlement amount for the Park and Recreation Board was posted at net rather than gross (\$573), this is made up of OPERS withholdings (\$499) and Tax Collection Fees (\$74). Enterprise Funds debt principal payments were understated and interest charges were overstated (\$742). An Enterprise

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.

These weaknesses resulted in additional audit time to test and verify the accuracy of the accompanying financial statements.

FINDING NUMBER 2009-002

Significant Deficiency

RITA Monthly Reports

During our testing of Income Taxes we noticed the amounts receipted on UAN are taken from the bank statements and not from the RITA Monthly Reports. The amounts on the bank statements are the "Total Net" amounts. The Village did not record "Total Gross" revenues and "Total Retainer" amounts as an expenditure which resulted in unrecorded expenditures. The General Fund revenues and expenditures were understated by \$6,164 in 2009 and \$3,385 in 2008.

We recommend the RITA Monthly Reports be used to determine the amount receipted into the UAN system. Once this is completed, amounts should be traced to the bank statements to determine completeness. We also recommend the Village post the "Total Gross" amounts as revenue and "Total Retainer" amounts as expenditures.

The financial statements have not been adjusted to reflect these understatements.

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Revised Code § 149.351 states, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 1419.38 to 149.42 of the Revised Code.

The following could not be located:

- Ordinance numbers 2009-01, 2009-02, 2009-04, 2009-06, 2009-07, 2008-01, 2008-02, 2008-03, 2008-04, 2008-05, 2008-07, 2008-08, 2008-10, 2008-11, and 2008-12.
- Resolution numbers 2008-05, 2008-06, 2008-07.
- Monthly RITA reports for 2008.
- Traffic violation number 08TRD5.
- Council approval for all transfers and advances during 2009.
- Budgetary information (2008 - budget, amended certificate of estimated resources, certificate of total amounts available, resolution accepting amounts and rates; 2009 – amended certificate of estimated resources) could not be located.

As a result,

- The auditors were unable to determine Council's intent for the missing Ordinances and Resolutions. The current Council approved these Ordinances and Resolutions according to the 2009 and 2008 minutes, although the minutes only listed the subject of the Ordinances and Resolutions and did not give the detail of what Council was approving.

2009 and 2008 minutes, although the minutes only listed the subject of the Ordinances and Resolutions and did not give the detail of what Council was approving.

- The Fiscal Officer was able to obtain the 2008 yearend report from RITA.
- We were able to use the information listed in the Docket for the missing ticket.
- Since the minutes only approved "appropriation transfer from an account", the auditors were unable to determine the amounts and funds affected by the transfers and advances, therefore these were reversed off the 2009 financial statements.
- The auditors received the information from the County Auditor.

Failure to maintain organized underlying documentation and support of financial transactions can increase the risk of fraud, inaccurate financial statements, and expenditures that are not for a proper public purpose.

We recommend the Village establish procedures for maintaining supporting documentation for all public records, and that they be maintained and stored in accordance with Chapter 149 of the Ohio Revised Code. In addition, the minutes should reflect all information/documentation of what Council is approving/adopting.

These weaknesses resulted in additional audit time to investigate.

FINDING NUMBER 2009-004

Material Weakness

Noncompliance Citation

Ohio Revised Code §§ 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable interfund transfers. **Ohio Revised Code § 5705.14** provides that interfund transfers shall only be made by resolution of the taxing authority. See also 1989 Op. Atty. Gen. No. 89-075 (Ohio Revised Code § 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds). In certain circumstances, which are detailed in Ohio Revised Code § 5705.14, transfers from funds other than the General Fund may be made by a resolution passed by a two-thirds vote of the taxing authority.

During 2009, the Village transferred \$10,000 from the General Fund to the Park and Recreation Fund and \$2,940 from the Sewer Special Assessment Fund to the Sewer Grant Fund. These were not approved by a resolution or by Council.

We recommend no transfers be made unless prior approval has been obtained in accordance with applicable statutory requirements, prior to transfer of such funds.

The attached financial statements and Village accounting records have been adjusted for these changes.

These weaknesses resulted in additional audit time to investigate and prepare the audit adjustments.

FINDING NUMBER 2009-005

Noncompliance Citation

Ohio Revised Code § 5705.39 states the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

Permanent appropriations were adopted by Council on February 2, 2009; however, the amended certificate of estimated resources was not obtained until March 3, 2009. This resulted in appropriations exceeding estimated resources in all funds in February of 2009. Also, there were no estimated receipts approved for the Park and Recreation Fund; however, \$40,000 was appropriated. This resulted in appropriations exceeding estimated resources in the Park and Recreation Fund throughout 2009.

Allowing appropriations to remain higher than estimated resources increases the possibility appropriations may be unrealistically inflated which could result in deficit spending. Estimated resources should have been reduced to the level of the actual resources available for appropriation.

To reduce the possibility of appropriations exceeding estimated resources, we recommend the Village Council monitor appropriations and estimated resources throughout the year to ensure appropriations do not exceed the amount of estimated resources. We also recommend the Village Council monitor the budgetary activity of the Village and either approve supplemental appropriations and send to the County Auditor or obtain increased amended certificates of estimated resources in order to stay in compliance with Ohio law.

FINDING NUMBER 2009-006

Noncompliance Citation

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

During our compliance testing we 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. This caused certain expenditures to exceed appropriations in 2009 and 2008. Noncompliance was found in the following funds:

Fund	Appropriations	Expenditures	Variance
2009			
Park and Recreation Fund	\$40,000	\$59,983	(\$19,983)
Grant Construction Fund	35,760	74,520	(38,760)
2008			
Sewer Special Assessment		41,507	(41,507)

The Village's management was advised that failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

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

Officials' Response:

The Village started reporting the income tax at gross in September and the transfers for the park were approved by Council with Resolution #2010-11. The Village is in the process of correcting the other matters.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Financial Reporting	No	Repeated as Finding #2009-001 in this report.
2007-002	ORC § 5705.38(A) – failure to pass permanent appropriations	Yes	
2007-003	ORC § 5705.41(B) – failure to have adequate appropriations for expenditures	No	Repeated as Finding #2009-006 in this report.
2007-004	Unrecorded activity	No	Repeated as part of Finding #2009-001 in this report.

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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
NOVEMBER 9, 2010**