



Dave Yost • Auditor of State

VILLAGE OF BETTSVILLE
SENECA COUNTY

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Dave Yost • Auditor of State

Village of Bettsville
Seneca County
308 Emma Street, 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 27, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Bettsville
Seneca County
308 Emma Street, 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, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. 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(A) mandates 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 governments 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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Bettsville, Seneca County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village of Bettsville, Seneca County, Ohio adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2012, 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.



Dave Yost
Auditor of State

July 27, 2012

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$20,490	\$34,905	\$55,395
Municipal Income Tax	139,765		139,765
Intergovernmental	63,893	55,928	119,821
Charges for Services	37,965	35,599	73,564
Fines, Licenses and Permits	24,771		24,771
Earnings on Investments	1,832	43	1,875
Miscellaneous	669	3,826	4,495
	289,385	130,301	419,686
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
Security of Persons and Property	103,009	481	103,490
Public Health Services	1,463		1,463
Leisure Time Activities	7,823	84,225	92,048
Community Environment	975		975
Transportation		30,896	30,896
General Government	118,154		118,154
Capital Outlay		88,774	88,774
Debt Service:			
Principal Retirement		14,564	14,564
Interest and Fiscal Charges		1,813	1,813
	231,424	220,753	452,177
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over (Under) Disbursements</i>	57,961	(90,452)	(32,491)
Other Financing Receipts (Disbursements)			
Debt Proceeds		60,000	60,000
Transfers In		8,133	8,133
Transfers Out	(8,133)		(8,133)
Advances In	11,867	11,867	23,734
Advances Out	(11,867)	(11,867)	(23,734)
	(8,133)	68,133	60,000
<i>Total Other Financing Receipts (Disbursements)</i>			
<i>Net Change in Fund Cash Balances</i>	49,828	(22,319)	27,509
<i>Fund Cash Balances, January 1</i>	370,230	81,576	451,806
Fund Cash Balances, December 31			
Committed	393		393
Restricted		59,257	59,257
Unassigned	419,665		419,665
	\$420,058	\$59,257	\$479,315
<i>Fund Cash Balances, December 31</i>			

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$388,252		\$388,252
Earnings on Investments		\$2,021	2,021
<i>Total Operating Cash Receipts</i>	<u>388,252</u>	<u>2,021</u>	<u>390,273</u>
Operating Cash Disbursements			
Personal Services	62,546		62,546
Employee Fringe Benefits	13,836		13,836
Contractual Services	47,834		47,834
Supplies and Materials	19,115		19,115
Other	50		50
<i>Total Operating Cash Disbursements</i>	<u>143,381</u>		<u>143,381</u>
<i>Operating Income</i>	<u>244,871</u>	<u>2,021</u>	<u>246,892</u>
Non-Operating Disbursements			
Capital Outlay	(18,183)		(18,183)
Principal Retirement	(54,671)		(54,671)
Interest and Other Fiscal Charges	(102,694)		(102,694)
Other Financing Uses		(2,000)	(2,000)
<i>Total Non-Operating Disbursements</i>	<u>(175,548)</u>	<u>(2,000)</u>	<u>(177,548)</u>
<i>Net Change in Fund Cash Balances</i>	69,323	21	69,344
<i>Fund Cash Balances, January 1</i>	<u>630,188</u>	<u>160,328</u>	<u>790,516</u>
<i>Fund Cash Balances, December 31</i>	<u>\$699,511</u>	<u>\$160,349</u>	<u>\$859,860</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Local Taxes	\$20,459	\$33,586		\$54,045
Municipal Income Tax	118,661			118,661
Intergovernmental	63,528	47,161		110,689
Charges for Services	38,980	46,876		85,856
Fines, Licenses and Permits	16,169			16,169
Earnings on Investments	1,316	102		1,418
Miscellaneous	6,919	5,214	\$2,940	15,073
<i>Total Cash Receipts</i>	<u>266,032</u>	<u>132,939</u>	<u>2,940</u>	<u>401,911</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	105,825	224		106,049
Leisure Time Activities		77,287		77,287
Community Environment	585			585
Transportation		30,476		30,476
General Government	78,353			78,353
Capital Outlay		10,405		10,405
<i>Total Cash Disbursements</i>	<u>184,763</u>	<u>118,392</u>		<u>303,155</u>
<i>Excess of Receipts Over Disbursements</i>	<u>81,269</u>	<u>14,547</u>	<u>2,940</u>	<u>98,756</u>
Other Financing Receipts / (Disbursements):				
Transfers-In		30,000	30,008	60,008
Transfers-Out	(30,000)			(30,000)
Advances-In	5,000	5,000		10,000
Advances-Out	(5,000)	(5,000)		(10,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(30,000)</u>	<u>30,000</u>	<u>30,008</u>	<u>30,008</u>
<i>Net Change in Fund Cash Balances</i>	51,269	44,547	32,948	128,764
Fund Cash Balances, January 1	318,961	37,029	(\$32,948)	323,042
<i>Fund Cash Balances, December 31</i>	<u>\$370,230</u>	<u>\$81,576</u>		<u>\$451,806</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$616</u>	<u>\$212</u>		<u>\$828</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<i>Proprietary Fund Type</i>	<i>Fiduciary Fund Type</i>	<i>Totals (Memorandum Only)</i>
	<i>Enterprise</i>	<i>Private Purpose Trust</i>	
Operating Cash Receipts:			
Charges for Services	\$365,522		\$365,522
Earnings on Investments		\$2,647	2,647
<i>Total Operating Cash Receipts</i>	<u>365,522</u>	<u>2,647</u>	<u>368,169</u>
Operating Cash Disbursements:			
Personal Services	51,934		51,934
Employee Fringe Benefits	12,709		12,709
Contractual Services	45,650		45,650
Supplies and Materials	19,933		19,933
Other	250		250
<i>Total Operating Cash Disbursements</i>	<u>130,476</u>		<u>130,476</u>
<i>Operating Income</i>	<u>235,046</u>	<u>2,647</u>	<u>237,693</u>
Non-Operating Cash Receipts:			
Earnings on Investments	154		154
Non-Operating Cash Disbursements:			
Capital Outlay	3,315		3,315
Redemption of Principal	65,829		65,829
Interest and Other Fiscal Charges	104,702		104,702
Other Non-Operating Cash Disbursements		2,000	2,000
<i>Total Non-Operating Disbursements</i>	<u>173,846</u>	<u>2,000</u>	<u>175,846</u>
<i>Income Before Transfers</i>	61,354	647	62,001
Transfers-Out	(30,008)		(30,008)
<i>Net Change in Fund Cash Balances</i>	31,346	647	31,993
<i>Fund Cash Balances, January 1</i>	<u>598,842</u>	<u>159,681</u>	<u>758,523</u>
<i>Fund Cash Balances, December 31</i>	<u>\$630,188</u>	<u>\$160,328</u>	<u>\$790,516</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$1,006</u>		<u>\$1,006</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, 2011 AND 2010**

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, Ohio (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 participates in the Public Entities Pool of Ohio. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

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.

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.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

Park and Recreation Fund – This fund receives property tax revenues 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 for the benefit of students for college scholarships.

E. Budgetary Process

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

VILLAGE OF BETTSVILLE
SENECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

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 to the subsequent year and need not be reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For fiscal year 2011, the Village adopted Government Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The adoption of GASB 54 had no affect on the previously reported fund balances. For December 31, 2011 fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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:

	2011	2010
Demand deposits	\$1,178,823	\$1,083,994
Certificates of deposit	160,352	158,328
Total deposits	\$1,339,175	\$1,242,322

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

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$258,670	\$289,385	\$30,715
Special Revenue	192,280	198,434	6,154
Enterprise	315,182	388,252	73,070
Trust	2,000	2,021	21
Total	\$768,132	\$878,092	\$109,960

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$241,116	\$239,557	\$1,559
Special Revenue	221,492	220,753	739
Enterprise	444,006	318,929	125,077
Trust	2,000	2,000	
Total	\$908,614	\$781,239	\$127,375

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$269,300	\$266,032	(\$3,268)
Special Revenue	107,300	162,939	55,639
Capital Projects		32,948	32,948
Enterprise	334,700	365,676	30,976
Trust	2,000	2,647	647
Total	\$713,300	\$830,242	\$116,942

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$294,749	\$215,379	\$79,370
Special Revenue	103,106	118,604	(15,498)
Enterprise	369,733	335,336	34,397
Trust	2,000	2,000	
Total	\$769,588	\$671,319	\$98,269

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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.

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Old Fort Bank Fire Truck Loan	\$45,436	4.5%
Ohio Water Development Authority Loan	827,670	1.0%
Mortgage Revenue Bonds Series 2006	<u>2,068,800</u>	4.5%
Total	<u><u>\$2,941,906</u></u>	

The Old Fort Bank Fire Truck Loan relates to a \$60,000 commercial bank loan entered into on February 23, 2011 for the purchase of a fire truck. The Village will repay the loan in semi-annual installments, including interest over four years with a maturity date of November 15, 2014. The loan is collateralized by tax revenues.

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.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Debt (Continued)

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, 2011 is \$68,818.

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

Year ending December 31:	Fire Truck Loan	OWDA Loan	Mortgage Revenue Bonds
2012	\$8,189	\$38,876	\$118,496
2013	8,189	38,876	118,453
2014	8,189	38,876	118,461
2015	8,189	38,876	118,514
2016	8,189	38,876	118,509
2017-2021	8,189	194,379	592,342
2022-2026		194,379	592,354
2027-2031		194,379	592,381
2032-2036		155,503	592,513
2037-2041			592,450
2042-2046			592,484
Total	<u>\$49,134</u>	<u>\$933,020</u>	<u>\$4,146,957</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 2011 and 2010, 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, 2011.

8. Risk Management

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.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Risk Management (Continued)

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.

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, 2010, 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, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$18,000.

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.

VILLAGE OF BETTSVILLE
SENECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

8. Risk Management (Continued)

<u>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
\$19,827	\$19,355

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. 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. Building Lease

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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Dave Yost • 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
308 Emma Street, 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, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 27, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and in 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54. We also noted 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(A) mandates 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 27, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

July 27, 2012

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-001

Material Weakness

The review of the financial statements resulted in thirty-two audit adjustments and unadjusted differences ranging in amounts from \$416 to \$60,000. The most significant adjustments were as follows:

- To reclassify intergovernmental receipts posted as miscellaneous in the Park Fund (\$11,867 - 2011)
- To reclassify debt proceeds posted as other financing sources in the Fire Fund (\$60,000 - 2011)
- To reclassify debt principal and interest posted as capital outlay in the Fire Fund (\$14,565 and \$1,813 – 2011)
- To remove overstated trust fund interest in the Private Purpose Trust Funds (\$2,479 – 2011) (\$2,640 - 2010)

Additional audit adjustments were made in smaller relative amounts. The accompanying financial statements have been adjusted to correct these errors.

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.

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

Officials' Response:

We did not receive a response from Officials to this finding.

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**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Material Weakness –Due to errors in Financial Reporting.	No	Not Corrected. Repeated as Finding #2011-001 in this report.
2009-002	Significant Deficiency – failure to post municipal income tax at gross.	Yes	
2009-003	ORC § 149.351 – failure to maintain all records	Yes	
2009-004	ORC § 5705.14, 5705.15 and 5705.16 – failure to have approval for transfers.	No	Partially corrected, reducing this to a management letter comment.
2009-005	ORC § 5705.39 – failure to have adequate estimated resources for appropriations.	Yes	
2009-006	ORC § 5705.41(B) – failure to have adequate appropriations for expenditures.	No	Partially corrected, reducing this to a management letter comment.

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VILLAGE OF BETTSVILLE

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 09, 2012**