



Dave Yost • Auditor of State

VILLAGE OF BETTSVILLE
SENECA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Bettsville, Seneca County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Bettsville, Seneca County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 9, 2014

**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, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 19,191	\$ 41,034	\$ 60,225
Municipal Income Tax	121,029	.	121,029
Intergovernmental	35,614	38,007	73,621
Charges for Services	42,659	25,772	68,431
Fines, Licenses and Permits	22,154		22,154
Earnings on Investments	1,698	92	1,790
Miscellaneous	9,676	9,438	19,114
	<u>252,021</u>	<u>114,343</u>	<u>366,364</u>
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
Security of Persons and Property	106,430	400	106,830
Public Health Services	1,355		1,355
Leisure Time Activities		72,665	72,665
Community Environment	5,000		5,000
Transportation		32,641	32,641
General Government	106,028		106,028
Capital Outlay	64,663	4,986	69,649
Debt Service:			
Principal Retirement	2,379	12,758	15,137
Interest and Fiscal Charges		1,241	1,241
	<u>285,855</u>	<u>124,691</u>	<u>410,546</u>
<i>Total Cash Disbursements</i>			
<i>Excess of Disbursements Over Receipts</i>	<u>(33,834)</u>	<u>(10,348)</u>	<u>(44,182)</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	13,332		13,332
Transfers In		10,500	10,500
Transfers Out	(10,500)		(10,500)
Other Financing Uses	(780)		(780)
	<u>2,052</u>	<u>10,500</u>	<u>12,552</u>
<i>Total Other Financing Receipts (Disbursements)</i>			
<i>Net Change in Fund Cash Balances</i>	<u>(31,782)</u>	<u>152</u>	<u>(31,630)</u>
<i>Fund Cash Balances, January 1</i>	<u>473,896</u>	<u>72,359</u>	<u>546,255</u>
Fund Cash Balances, December 31			
Restricted		72,511	72,511
Unassigned	442,114		442,114
	<u>442,114</u>	<u>72,511</u>	<u>514,625</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 442,114</u>	<u>\$ 72,511</u>	<u>\$ 514,625</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 PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$ 376,352		\$ 376,352
Earnings on Investments		\$ 902	902
<i>Total Operating Cash Receipts</i>	<u>376,352</u>	<u>902</u>	<u>377,254</u>
Operating Cash Disbursements			
Personal Services	58,566		58,566
Employee Fringe Benefits	15,643		15,643
Contractual Services	55,000		55,000
Supplies and Materials	24,150		24,150
<i>Total Operating Cash Disbursements</i>	<u>153,359</u>		<u>153,359</u>
<i>Operating Income</i>	<u>222,993</u>	<u>902</u>	<u>223,895</u>
Non-Operating Disbursements			
Capital Outlay	(7,229)		(7,229)
Principal Retirement	(57,483)		(57,483)
Interest and Other Fiscal Charges	(99,846)		(99,846)
Other Financing Uses		(3,000)	(3,000)
<i>Total Non-Operating Disbursements</i>	<u>(164,558)</u>	<u>(3,000)</u>	<u>(167,558)</u>
<i>Net Change in Fund Cash Balances</i>	58,435	(2,098)	56,337
<i>Fund Cash Balances, January 1</i>	<u>756,045</u>	<u>161,215</u>	<u>917,260</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 814,480</u>	<u>\$ 159,117</u>	<u>\$ 973,597</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, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 19,717	\$ 35,139	\$ 54,856
Municipal Income Tax	129,855		129,855
Intergovernmental	60,037	41,871	101,908
Charges for Services	42,659	36,061	78,720
Fines, Licenses and Permits	29,309		29,309
Earnings on Investments	2,545	18	2,563
Miscellaneous	748	7,145	7,893
<i>Total Cash Receipts</i>	<u>284,870</u>	<u>120,234</u>	<u>405,104</u>
Cash Disbursements			
Current:			
Security of Persons and Property	122,308	329	122,637
Public Health Services	1,354		1,354
Leisure Time Activities		59,403	59,403
Basic Utility Services	7		7
Transportation		28,820	28,820
General Government	107,363		107,363
Capital Outlay		2,202	2,202
Debt Service:			
Principal Retirement		14,464	14,464
Interest and Fiscal Charges		1,914	1,914
<i>Total Cash Disbursements</i>	<u>231,032</u>	<u>107,132</u>	<u>338,164</u>
<i>Net Change in Fund Cash Balances</i>	53,838	13,102	66,940
<i>Fund Cash Balances, January 1</i>	<u>420,058</u>	<u>59,257</u>	<u>479,315</u>
Fund Cash Balances, December 31			
Restricted		72,359	72,359
Unassigned	473,896		473,896
<i>Fund Cash Balances, December 31</i>	<u>\$ 473,896</u>	<u>\$ 72,359</u>	<u>\$ 546,255</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 PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$ 379,175		\$ 379,175
Earnings on Investments		\$ 1,366	1,366
<i>Total Operating Cash Receipts</i>	<u>379,175</u>	<u>1,366</u>	<u>380,541</u>
Operating Cash Disbursements			
Personal Services	58,607		58,607
Employee Fringe Benefits	14,533		14,533
Contractual Services	63,271		63,271
Supplies and Materials	19,994		19,994
Other	67		67
<i>Total Operating Cash Disbursements</i>	<u>156,472</u>		<u>156,472</u>
<i>Operating Income</i>	<u>222,703</u>	<u>1,366</u>	<u>224,069</u>
Non-Operating Disbursements			
Capital Outlay	(8,797)		(8,797)
Principal Retirement	(56,076)		(56,076)
Interest and Other Fiscal Charges	(101,296)		(101,296)
Other Financing Uses		(500)	(500)
<i>Total Non-Operating Disbursements</i>	<u>(166,169)</u>	<u>(500)</u>	<u>(166,669)</u>
<i>Net Change in Fund Cash Balances</i>	56,534	866	57,400
<i>Fund Cash Balances, January 1</i>	<u>699,511</u>	<u>160,349</u>	<u>859,860</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 756,045</u>	<u>\$ 161,215</u>	<u>\$ 917,260</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, 2013 AND 2012**

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 fund money to support a volunteer fire department.

The Village participates in a public entity risk pool. 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 Entities 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:

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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. 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.

4. 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.

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

VILLAGE OF BETTSVILLE
SENECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 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 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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.

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.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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:

	2013	2012
Demand deposits	\$1,330,486	\$1,306,681
Certificates of deposit	157,736	156,834
Total deposits	\$1,488,222	\$1,463,515

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, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$280,325	\$265,353	(\$14,972)
Special Revenue	116,737	124,843	8,106
Enterprise	375,600	376,352	752
Trust	2,000	902	(1,098)
Total	\$774,662	\$767,450	(\$7,212)

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$380,486	\$297,135	\$83,351
Special Revenue	134,080	124,691	9,389
Enterprise	450,948	317,917	133,031
Trust	2,000	3,000	(1,000)
Total	<u>\$967,514</u>	<u>\$742,743</u>	<u>\$224,771</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$290,230	\$284,870	(\$5,360)
Special Revenue	127,500	120,234	(7,266)
Enterprise	337,442	379,175	41,733
Trust	2,000	1,366	(634)
Total	<u>\$757,172</u>	<u>\$785,645</u>	<u>\$28,473</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$262,168	\$231,032	\$31,136
Special Revenue	120,500	107,132	13,368
Enterprise	446,218	322,641	123,577
Trust	2,000	500	1,500
Total	<u>\$830,886</u>	<u>\$661,305</u>	<u>\$169,581</u>

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.

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.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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.

The Village collected \$121,029 during 2013 and \$129,855 in 2012.

6. Debt

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Old Fort Bank Fire Truck Loan	\$15,836	4.5%
Ohio Water Development Authority Loan	766,011	1.0%
Mortgage Revenue Bonds Series 2006	<u>2,016,900</u>	4.5%
Total	<u><u>\$2,798,747</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.

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, 2013 is \$92,818.

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

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

Year ending December 31:	Fire Truck Loan	OWDA Loan	Mortgage Revenue Bonds
2014	\$16,378	\$38,876	\$118,461
2015		38,876	118,514
2016		38,876	118,509
2017		38,876	118,446
2018		38,876	118,523
2019-2023		194,380	592,321
2024-2028		194,380	592,313
2029-2033		194,380	592,453
2034-2038		77,752	592,483
2039-2043			592,538
2044-2046			355,445
Total	\$16,378	\$855,272	\$3,910,006

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 2013 and 2012, 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, 2013.

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.

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. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$19,000.

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>2013</u>	<u>2012</u>
\$22,541	\$22,751

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

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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 AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Bettsville, Seneca County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and the Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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 2013-001 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

The Village's response to the finding 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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

June 9, 2014

**VILLAGE OF BETTSVILLE
SENECA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Weakness

Financial Reporting

The Village's management is responsible for the fair presentation of the financial statements. Errors were noted in the financial statements, resulting in twelve audit adjustments and two unadjusted differences ranging in amounts from \$169 to \$44,663. The most significant adjustments were as follows:

- The purchase of a truck (\$44,663) and a backhoe (\$20,000) were improperly accounted for in the General Fund as Other Financing Uses instead of Capital Outlay in 2013.
- Debt principal and interest was improperly accounted for as Capital Outlay in the Fire fund (\$12,758 and \$1,241, respectively - 2013) (\$14,464 and \$1,914, respectively - 2012).
- The Sale of Capital Assets for \$13,332 was improperly accounted for as Miscellaneous Revenue in the General fund in 2013.
- The return of an overpayment of \$10,150, made in 2013 to M and B Asphalt was improperly accounted for as Miscellaneous Revenues instead of General Government reduction of expenditure in the General fund.
- Miscellaneous park donations in the Park fund were improperly accounted for as Charges for Services (\$3,221 – 2013) (\$3,500 - 2012).

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

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council to identify and correct errors and misclassifications.

Officials' Response:

We acknowledge errors were made and will properly post these transactions in the future.

VILLAGE OF BETTSVILLE
SENECA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Material Weakness due to errors in financial reporting.	No	Not Corrected. Repeated in this report as finding #2013-001.



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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
JUNE 24, 2014**