



Dave Yost • Auditor of State

**VILLAGE OF BATESVILLE
NOBLE COUNTY
DECEMBER 31, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Batesville
Noble County
55379 Calais Road
Quaker City, Ohio 43773

To Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Batesville, Noble County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015.

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 § 117.38 and Ohio Administrative Code § 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 such 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 opinions.

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2016 and 2015, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Batesville, Noble County, Ohio, as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2018, 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

January 11, 2018

Village of Batesville, Ohio*Noble County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$1,308	\$0	\$1,308
Intergovernmental	14,663	6,145	20,808
Earnings on Investments	0	24	24
Miscellaneous	2,559	0	2,559
<i>Total Cash Receipts</i>	<u>18,530</u>	<u>6,169</u>	<u>24,699</u>
Cash Disbursements			
Current:			
Security of Persons and Property	400	0	400
Public Health Services	818	0	818
General Government	2,571	5,791	8,362
<i>Total Cash Disbursements</i>	<u>3,789</u>	<u>5,791</u>	<u>9,580</u>
<i>Excess of Receipts Over Disbursements</i>	<u>14,741</u>	<u>378</u>	<u>15,119</u>
<i>Fund Cash Balances, January 1</i>	<u>29,307</u>	<u>4,065</u>	<u>33,372</u>
Fund Cash Balances, December 31			
Restricted	0	4,618	4,618
Unassigned (Deficit)	44,048	(175)	43,873
<i>Fund Cash Balances, December 31</i>	<u>\$44,048</u>	<u>\$4,443</u>	<u>\$48,491</u>

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

Village of Batesville, Ohio
Noble County
Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)
Proprietary Fund
For the Year Ended December 31, 2016

	<u>Proprietary Fund</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$3,570
<i>Total Operating Cash Receipts</i>	<u>3,570</u>
Operating Cash Disbursements	
Other	39
<i>Total Operating Cash Disbursements</i>	<u>39</u>
<i>Operating Income</i>	<u>3,531</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	316,684
Other Debt Proceeds	494,338
Capital Outlay	(204,142)
Principal Retirement	(600,346)
Interest and Other Fiscal Charges	(6,534)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	3,531
<i>Fund Cash Balances, January 1</i>	<u>50</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$3,581</u></u>

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

Village of Batesville
Noble County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Batesville, Noble County (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities. The Village contracts with the Village of Quaker City to receive fire protection services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Street Construction, Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Enterprise Fund This fund accounts 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 Fund:

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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).

Village of Batesville
Noble County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

Deposits

The Village has an interest-bearing checking account.

Capital Assets

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

Fund Balance

Fund balance is divided into two 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:

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.

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.

Village of Batesville
Noble County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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.

Note 3 - Compliance

Contrary to Ohio law, the Township legislative authority did not pass a permanent appropriation measure for 2016.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$12,957	\$18,530	\$5,573
Special Revenue	6,735	6,169	(566)
Enterprise	104,756	814,592	709,836
Total	\$124,448	\$839,291	\$714,843

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$29,665	\$3,789	\$25,876
Special Revenue	10,678	5,791	4,887
Enterprise	0	811,061	(811,061)
Total	\$40,343	\$820,641	(\$780,298)

Note 5 – Deposits

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

Demand deposits	2016 \$52,072
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Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Village of Batesville
Noble County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 6 - Taxes

Property Taxes

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.

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

Note 7 - Risk Management

Commercial Insurance

The Village is uninsured for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village officials 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. 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, 2016.

Note 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2017.

**VILLAGE OF BATESVILLE
NOBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$1,319	\$0	\$1,319
Intergovernmental	13,157	6,737	19,894
Earnings on Investments	0	18	18
<i>Total Cash Receipts</i>	<u>14,476</u>	<u>6,755</u>	<u>21,231</u>
Cash Disbursements			
Current:			
Security of Persons and Property	400	0	400
Community Environment	868	0	868
General Government	12,490	6,563	19,053
<i>Total Cash Disbursements</i>	<u>13,758</u>	<u>6,563</u>	<u>20,321</u>
<i>Excess of Receipts Over Disbursements</i>	<u>718</u>	<u>192</u>	<u>910</u>
Other Financing Receipts			
Transfers Out	(50)	0	(50)
<i>Total Other Financing Receipts</i>	<u>(50)</u>	<u>0</u>	<u>(50)</u>
<i>Net Change in Fund Cash Balances</i>	668	192	860
<i>Fund Cash Balances, January 1</i>	<u>28,639</u>	<u>3,873</u>	<u>32,512</u>
Fund Cash Balances, December 31			
Restricted	0	4,187	4,187
Assigned	16,708	0	16,708
Unassigned (Deficit)	12,599	(122)	12,477
<i>Fund Cash Balances, December 31</i>	<u>\$29,307</u>	<u>\$4,065</u>	<u>\$33,372</u>

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

**VILLAGE OF BATESVILLE
NOBLE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund
	Enterprise
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	\$106,009
Capital Outlay	(104,755)
Interest and Other Fiscal Charges	(1,254)
<i>Total Non-Operating Receipts (Disbursements)</i>	0
<i>Income before Transfers</i>	0
Transfers In	50
<i>Net Change in Fund Cash Balances</i>	50
<i>Fund Cash Balances, January 1</i>	0
<i>Fund Cash Balances, December 31</i>	\$50

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

Village of Batesville
Noble County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

The Village of Batesville, Noble County (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities. The Village contracts with the Village of Quaker City to receive fire protection services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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).

Village of Batesville
Noble County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 4.

Deposits

The Village has an interest-bearing checking account.

Capital Assets

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

Fund Balance

Fund balance is divided into three 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:

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.

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 Batesville
Noble County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

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.

Note 3 - Compliance

Contrary to Ohio law, the Township legislative authority did not pass a permanent appropriation measurer for 2015.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,177	\$14,476	\$1,299
Special Revenue	6,889	6,755	(134)
Enterprise	0	106,059	106,059
Total	\$20,066	\$127,290	\$107,224

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$28,640	\$13,808	\$14,832
Special Revenue	10,762	6,563	4,199
Enterprise	0	106,009	(106,009)
Total	\$39,402	\$126,380	(\$86,978)

Note 5 - Deposits

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

Demand deposits	2015
	\$33,422

Village of Batesville
Noble County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 - Taxes

Property Taxes

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.

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

Note 7 - Risk Management

Commercial Insurance

The Village is uninsured following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village officials 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. 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, 2015.



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 Batesville
Noble County
55379 Calais Road
Quaker City, Ohio 43773

To 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 cash balances, receipts, and disbursements by fund type of the Village of Batesville, Noble County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated January 11, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) 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 opinions 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2016-003 through 2016-009 to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2016-001 through 2016-005.

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

January 11, 2018

**VILLAGE OF BATESVILLE
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance

Ohio Rev. Code § 5747.06(A) states except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748. of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to the benefit of, the employee.

The Village neither withheld nor remitted any state income taxes during 2015 and 2016, nor did the Village have IT-4 forms on file for its officials. Per review of the State of Ohio Income Tax Tables and the officials' 2015 and 2016 W-2's, .0495% of the officials' compensation paid during the audit period should have been withheld and remitted to the State of Ohio. Not remitting and filing state income tax could result in penalties being accrued and paid by the Village.

The Village should withhold and remit all state income tax withholdings as required. Further, the Village should maintain IT-4's for all of its officials.

FINDING NUMBER 2016-002

Noncompliance

26 U.S.C. § 3403 states, in part, the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter.

26 U.S. Code § 3402 (f)(2)(A) states every employee is required to furnish his or her employer with a signed withholding exemption certificate on or before commencing employment. The regulations prescribe the form of the certificate as the Form W-4. The maximum number of withholding exemptions to which an employee is entitled depends upon the employee's marital status, the employee's filing status, the number of the employee's dependents, the number of exemptions claimed by the employee's spouse (if any) on a Form W-4, and the amount of the employee's estimated itemized deductions, tax credits, and certain other deductions from income. If an employee that fails to submit an annual Form W-4, the employer is required to withhold federal payroll withholding taxes at the single, no exemption rate.

While the payroll records indicated employee Medicare was withheld for 2015 and 2016 from the officials' gross pay, the amounts withheld, along with any employer matches, in the amounts of \$157 and \$238, respectively, were not remitted as required. Also, federal withholdings were required to be remitted for the Mayor and Fiscal Officer. Additionally, the Village could not provide copies of quarterly 941 or 944 reports. This can result in a significant tax liability, plus penalties and interest for the Village.

The Fiscal Officer should remit federal income taxes withheld on a timely basis. Additionally, the Fiscal Officer should maintain documentation concerning the remittance of federal income taxes as well as the required reports. This matter will be referred to the Internal Revenue Service.

**VILLAGE OF BATESVILLE
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-003

Noncompliance and Material Weakness

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

Also, Ohio Rev. Code § 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

The Council did not adopt a permanent appropriation measure for 2015 until June 3, 2015 and did not adopt a permanent appropriation measure for 2016 until July 6, 2016. The Council did not adopt a temporary appropriation measure in 2016 or 2015 to cover the beginning of the year until passage of the permanent appropriation measure. As a result, all expenditures between January 1, 2015 through June 3, 2015 and January 1, 2016 through July 6, 2016 lacked legal appropriation authority.

The Village Council should pass an appropriation measure on or about the first day of each fiscal year. If the Village Council adopts a temporary measure, they must adopt a permanent measure no later than April 1.

FINDING NUMBER 2016-004

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.42 provides that Federal and State grants or loans are “deemed appropriated for the purpose for which such bond was issued by the taxing authority” as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection. “Deemed an appropriation” under this section means the Federal or State government has already appropriated and established the purpose(s) for which a government can spend monies received from Federal or State grants and loans. The taxing authority cannot deviate from this purpose; the taxing authority can only resolve to spend the money for a purpose already prescribed in a contract, grant agreement, loan agreement, etc. Therefore, Federal and State grants and loans received under Ohio Rev. Code § 5705.42 do not require formal appropriation by the legislative body. In other words, Ohio Rev. Code § 5705.42 effectively eliminates an unnecessary appropriation action by the taxing authority. However, Ohio Rev. Code § 5705.42 directs the fiscal officer to record the appropriation amount in the accounting system. The fiscal officer should also include the appropriated amounts on the (amended) certificate to properly monitor budget versus actual activity.

AOS Bulletin 2000-008 provides guidance for cash basis accounting for on-behalf funding. In short, the Bulletin indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made. In addition, the applicable budgetary legal requirements should be followed for the program the same as if the moneys were received and expended by the local government. Ohio Rev. Code § 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

**VILLAGE OF BATESVILLE
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-004 (Continued)

Noncompliance and Material Weakness – Ohio Rev. Code § 5705.42 (Continued)

Further, Ohio Rev. Code § 5705.10(l) states money paid into any fund shall be used only for the purposes for which such fund is established.

During 2015, loan proceeds in the amount of \$104,755 from the Ohio Water Development Authority (OWDA) were received from OWDA and recorded to the Village's General Fund as miscellaneous revenue and the disbursement of the funds to general government. The loan proceeds should have been recorded to a Sewer Enterprise Fund as proceeds of loan and capital outlay. In addition capitalized interest on these loan proceeds in the amount of \$828 were not recorded by the Village. The capitalized interest should have been recorded to a Sewer Enterprise Fund as proceeds of loan and interest and fiscal charges.

During 2016, loan proceeds in the amount of \$204,142 from the Ohio Water Development Authority (OWDA) were received directly by the Village and posted to the Village's General Fund as proceeds of loan and the disbursement of the funds to general government. The loan proceeds should have been posted to a Sewer Enterprise Fund as proceeds of loan and capital outlay. We found capitalized interest on these loan proceeds in the amount of \$5,988 was not posted by the Village. The capitalized interest should have been posted to a Sewer Enterprise Fund as proceeds of loan and interest and fiscal charges. We found OWDA disbursed \$283,662 from OWDA Loan #7507 to pay off OWDA Loan #7008. This was not posted by the Village. It should have been posted to a Sewer Enterprise Fund as proceeds of loan and principal retirement. The Village then received a grant disbursement markdown in the amount of \$283,662 to pay off OWDA Loan #7507. This was also not posted by the Village. It should have been posted to a Sewer Enterprise Fund as intergovernmental and principal retirement. In addition grant proceeds in the amount of \$33,022 for outstanding Village OWDA loans were received directly by OWDA on behalf of the Village and posted to the Village's outstanding OWDA loan account; however, the corresponding intergovernmental receipts and principal retirements were not recorded in the ledgers by the Village.

For 2015 and 2016 this resulted in cash receipts and disbursements being understated on the Village's financial reports. In addition, the Village did not obtain an amended certificate for these new amounts of revenue or amend appropriations for the amounts disbursed; therefore, these estimated receipts and supplemental appropriations were not recorded to their budgetary accounting system.

The Village should record the cash value benefit of these types of programs as memorandum receipts and disbursements in the year "on-behalf-of" disbursements are made. In addition, when such grants are awarded, the Village must amend budgeted receipts for all or part of the program based upon the date when cash disbursements are expected to be made on the Village's behalf. Once budgeted receipts have been amended, the Village should record the appropriations accordingly in the accounting system. Furthermore, the Village should establish a Sewer Enterprise Fund to account for these funds from OWDA.

FINDING NUMBER 2016-005

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.09(G) states each subdivision must establish a special fund for each public utility operated by a subdivision.

**VILLAGE OF BATESVILLE
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-005 (Continued)

Noncompliance and Material Weakness – Ohio Rev. Code § 5705.09(G) (Continued)

Ohio Rev. Code § 5705.09(F) states each subdivision must establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

Ohio Rev. Code § 4504.15 provides that proceeds from the motor vehicle license tax should be distributed by the County to the municipal corporations not levying a tax under Ohio Rev. Code § 4504.17. These motor vehicle license tax monies should be posted to the Village's Permissive Motor Vehicle License Tax Fund, Special Revenue Fund type, as outlined in Auditor of State Bulletin 88-16.

The Village did not establish a Permissive Motor Vehicle License Tax fund to account for these monies in their accounting system. The Fiscal Officer posted these monies during 2016 and 2015 to the Street Construction, Maintenance and Repair Fund and to the State Highway Fund in the amounts of \$273 and \$21, respectively, and \$302 and \$23, respectively. Also, the Village did establish a Sewer Enterprise Fund but did not post any of this activity for this fund in their cashbook. All receipts were placed into a separate bank account and not maintained in the Villages main checking account.

The Village Council should establish a Permissive Motor Vehicle License Tax Fund, Special Revenue Fund Type and place the permissive tax that comes from the state in this fund as required by the Ohio Rev. Code. Also, the Village should close the Sewer checking account and record this activity within the main Village checking account. In addition, the Sewer Fund activity should be recorded in the cashbook.

FINDING NUMBER 2016-006

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The small size of the Village's staff did not allow for an adequate segregation of duties; the Fiscal Officer performed all accounting functions. It is therefore important that the Council function as a finance committee to monitor financial activity closely. There was no documentation of the extent to which the Council reviewed bank reconciliations, financial reports and records and budget versus actual information to monitor financial activity of the Village. This could result in the ledgers of the Village not being posted up-to-date, errors in the reconciliation, and errors and omissions occurring in the annual report without the timely knowledge of the Council.

Financial information should be presented to the Council on a regular basis. This information should include reconciliations, as well as revenue and expenditure activity and budget versus actual reports. A periodic review should also be performed on the cashbook to gain assurances that the records are posted up-to-date, in agreement with the presented reports and reflect authorized transactions. These reviews should be documented in the minutes of the Council meetings.

**VILLAGE OF BATESVILLE
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-007

Material Weakness

The Village should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets document compliance with finance-related legal and contractual requirements and prepare financial statements. As part of this accounting system, the Village should have procedures in place for a review of transactions posted by the Fiscal Officer.

During 2016, the Fiscal Officer posted certain transactions incorrectly as follows:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements. The Village reported State Highway fund cash balance as unassigned instead of restricted, in the amount of \$4,618;
- Local Government monies in the amount of \$14,456 were posted to taxes instead of intergovernmental;
- Motor Vehicle Registration monies in the amount of \$804 and \$60 were posted to taxes instead of intergovernmental in the Street Construction, Maintenance and Repair Fund and State Highway Fund, respectively;
- Real estate and manufactured home tax deductions in the amount of \$521 were posted to other financing sources instead of taxes;
- Cigarette tax in the amount of \$75 was posted to fines, licenses and permits instead of intergovernmental;
- Liquor permits in the amount of \$132 were posted to fines, licenses and permits instead of intergovernmental; and
- State and local highway government funds and gasoline excise tax was posted at 93% to the Street Construction, Maintenance and Repair Fund in the amount of \$4,639 instead of at 92.5% in the amount of \$4,614 for a difference of \$25 and was posted at 7% to the State Highway Fund in the amount of \$349 instead of at 7.5% in the amount of \$374 for a difference of \$25.

During 2015, the Fiscal Officer posted certain transactions incorrectly as follows:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements. The Village improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead of assigned, in the amount of \$16,708. Also, the Village reported State Highway fund cash balance as unassigned instead of restricted, in the amount of \$4,187;
- Local Government monies in the amount of \$12,950 were posted to taxes instead of intergovernmental;
- Motor Vehicle Registration monies in the amount of \$995 and \$75 were posted to taxes instead of intergovernmental in the Street Construction, Maintenance and Repair Fund and State Highway Fund, respectively;
- Cigarette tax in the amount of \$75 was posted to fines, licenses and permits instead of intergovernmental;
- Liquor permits in the amount of \$132 were posted to fines, licenses and permits instead of intergovernmental; and
- State and local highway government funds and gasoline excise tax was posted at 93% to the Street Construction, Maintenance and Repair Fund in the amount of \$4,968 instead of at 92.5% in the amount of \$4,941 for a difference of \$27 and was posted at 7% to the State Highway Fund in the amount of \$374 instead of at 7.5% in the amount of \$401 for a difference of \$27.

**VILLAGE OF BATESVILLE
NOBLE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-007 (Continued)

Material Weakness (Continued)

These errors were due to a lack of management oversight. As a result, these significant reclassifications with which the Village's management agrees were made to the financial statements.

The Fiscal Officer should refer to the Village Officer's Handbook for proper classification and take additional care in posting transactions to the Village's ledgers in order to ensure the Village's year-end financial statements reflect the appropriate sources of the Village's receipts and expenditures. Also, the Fiscal Officer should review Auditor of State Bulletin 2011-004 for proper reporting of fund balances. Someone independent of the Fiscal Officer, preferably a Council member, should periodically review postings to the accounting system for accuracy.

FINDING NUMBER 2016-008

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2016, appropriations as approved by the Council did not agree to the Village's Appropriation Ledger for the following funds:

Fund	Appropriations per Village Council	Appropriations per Appropriation Ledger	Variance
General	\$29,665	\$33,503	(\$3,838)
Street Construction Maintenance and Highway	6,022	5,200	822
State Highway	4,657	0	4,657

At December 31, 2016, estimated receipts as approved by the Budget Commission were not posted to the Village's Receipts Journal.

At December 31, 2015, appropriations as approved by the Village Council did not agree to the Village's Appropriation Ledgers for the following funds:

Fund	Appropriations per Village Council	Appropriations per Appropriation Ledger	Variance
General	\$28,640	\$34,453	(\$5,813)
Street Construction Maintenance and Repair	6,570	5,200	1,370
State Highway	4,192	3,103	1,089

We also found for 2016 and 2015 estimated receipts as approved by the Budget Commission were not posted to the Village's Receipts Journal.

**VILLAGE OF BATESVILLE
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-008 (Continued)

Material Weakness (Continued)

Due to budgetary information being improperly entered into the system, the management of the Village was not able to effectively monitor and report its budget vs. actual status throughout the year.

The Village should post all approved appropriations and estimated receipts to the manual ledgers.

FINDING NUMBER 2016-009

Material Weakness

The Village monthly cashbook postings consisted of postings directly from the monthly bank statement. Checks were not recorded in cashbook unless they cleared the bank. Outstanding checks for that month are listed at the bottom of the cashbook page and not included in the monthly total. A true bank reconciliation was never prepared by the fiscal officer.

Failure to prepare formal monthly bank reconciliations could cause errors to not be detected in a timely manner and causes activity to be recorded in the wrong period.

The Fiscal Officer should prepare monthly bank reconciliations including a detailed listing of outstanding checks and present such reconciliations to the Council for approval at the monthly meetings. The Fiscal Officer should prepare a complete and accurate monthly cash book that includes all financial activity from the duplicate receipts and check register for each month.

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Dave Yost • Auditor of State

VILLAGE OF BATESVILLE

NOBLE 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
JANUARY 23, 2018