



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF BELLE CENTER
LOGAN COUNTY
DECEMBER 31, 2020 AND 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Belle Center
Logan County
P.O. Box 508
Belle Center, Ohio 43310

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2020 and December 31, 2019, and related notes of the Village of Belle Center, Logan County, Ohio (the Village).

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 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 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 (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 Section 117.38 and Ohio Administrative Code Section 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, 2020 and 2019, and the respective changes in financial position or cash flows 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 for each governmental and proprietary fund type as of and for the year ended December 31, 2020 and 2019, and related notes of the Village of Belle Center, 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 2.

Emphasis of Matter

As discussed in Note 12 to the 2020 and 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2022, 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.



Keith Faber
Auditor of State
Columbus, Ohio

March 7, 2022

Village of Belle Center, Ohio
 Logan County
 Combined Statement of Receipts, Disbursements
 and Changes in Fund Balances (Regulatory Cash Basis)
 All Governmental Fund Types
 For the Year Ended December 31, 2020

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$26,763 | \$4,794 | | \$31,557 |
| Municipal Income Tax | 136,057 | | | 136,057 |
| Intergovernmental | 11,805 | 59,051 | \$145,945 | 216,801 |
| Fines, Licenses and Permits | 8,026 | | | 8,026 |
| Earnings on Investments | 445 | 6 | | 451 |
| Miscellaneous | 18,859 | 1,767 | | 20,626 |
| <i>Total Cash Receipts</i> | <u>201,955</u> | <u>65,618</u> | <u>145,945</u> | <u>413,518</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 50,875 | | | 50,875 |
| Community Environment | 228 | | | 228 |
| Transportation | 1,367 | 47,497 | | 48,864 |
| General Government | 102,321 | 743 | 1,670 | 104,734 |
| Capital Outlay | | | 30,315 | 30,315 |
| <i>Total Cash Disbursements</i> | <u>154,791</u> | <u>48,240</u> | <u>31,985</u> | <u>235,016</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>47,164</u> | <u>17,378</u> | <u>113,960</u> | <u>178,502</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | | | 116 | 116 |
| Transfers Out | (15,116) | | | (15,116) |
| Other Financing Sources | 10,178 | | | 10,178 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(4,938)</u> | | <u>116</u> | <u>(4,822)</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>42,226</u> | <u>17,378</u> | <u>114,076</u> | <u>173,680</u> |
| <i>Fund Cash Balances, January 1</i> | <u>163,013</u> | <u>49,819</u> | <u>1,554</u> | <u>214,386</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$205,239</u> | <u>\$67,197</u> | <u>\$115,630</u> | <u>\$388,066</u> |

See accompanying notes to the basic financial statements

Village of Belle Center, Ohio
Logan County
Combined Statement of Receipts, Disbursements
and Change in Fund Balance (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2020

| | <u>Proprietary Fund Type</u> |
|---|------------------------------|
| | <u>Enterprise</u> |
| Operating Cash Receipts | |
| Charges for Services | \$432,889 |
| Miscellaneous | 4,005 |
| <i>Total Operating Cash Receipts</i> | <u>436,894</u> |
| Operating Cash Disbursements | |
| Personal Services | 83,651 |
| Employee Fringe Benefits | 14,939 |
| Contractual Services | 57,919 |
| Supplies and Materials | 37,379 |
| Other | 99,353 |
| <i>Total Operating Cash Disbursements</i> | <u>293,241</u> |
| <i>Operating Income</i> | <u>143,653</u> |
| Non-Operating Receipts (Disbursements) | |
| Special Assessments | 53,523 |
| Earnings on Investments | 642 |
| Miscellaneous Receipts | 1,083 |
| Principal Retirement | (170,639) |
| Interest and Other Fiscal Charges | (23,654) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(139,045)</u> |
| <i>Income before Transfers</i> | 4,608 |
| Transfers In | <u>15,000</u> |
| <i>Net Change in Fund Cash Balance</i> | 19,608 |
| <i>Fund Cash Balance, January 1</i> | <u>212,196</u> |
| <i>Fund Cash Balance, December 31</i> | <u><u>\$231,804</u></u> |

See accompanying notes to the basic financial statements

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Village of Belle Center (the Village), Logan County, 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 water, sewer, and refuse utilities and park operations. The Village contracts with the Logan County Sheriff's department to provide security of persons and property. The Village contracts with Richland Township Fire Department to receive fire protection services. The Village contracts with B.M.R.T. Regional Ambulance District to receive medical protection services.

Jointly Governed Organization

The Village participates in a jointly governed organization. Note 10 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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 combined statement of receipts, disbursements and change in fund balance (regulatory cash basis) for 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 Funds:

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.

Capital Projects Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Funds:

Other Capital Projects Fund The fund is used for capital improvements for the Village's parks as well as the depot.

Citgo Project Fund The fund is used for capital improvements for the area where the old Citgo gas station was.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 Operating Fund The water operating fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

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

Garbage Operating Fund The garbage operating fund accounts for the provision of refuse pick up services to the residents and commercial users within the Village.

Ohio Water Development Authority (OWDA) Loan Fund The OWDA fund is a portion of the sewer charges from each customer set aside to pay the debt service.

Basis of Accounting

These financial statements follow 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). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 fund 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 2020 budgetary activity appears in Note 3.

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.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020, follows:

| 2020 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$285,835 | \$212,133 | (\$73,702) |
| Special Revenue | 48,962 | 65,618 | 16,656 |
| Capital Projects | 258,309 | 146,061 | (112,248) |
| Enterprise | 563,496 | 507,142 | (56,354) |
| Total | \$1,156,602 | \$930,954 | (\$225,648) |

| 2020 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$204,905 | \$169,907 | \$34,998 |
| Special Revenue | 66,194 | 48,240 | 17,954 |
| Capital Projects | 163,589 | 31,985 | 131,604 |
| Enterprise | 557,309 | 487,534 | 69,775 |
| Total | \$991,997 | \$737,666 | \$254,331 |

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit investment accounts are as follows:

| | |
|-------------------------------|-----------|
| | 2020 |
| Demand deposits | \$319,816 |
| Star Ohio investment | 300,054 |
| Total deposits and investment | \$619,870 |

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the village is holding \$14,462 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investment

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Income Taxes

The Village levies a municipal income tax of 1 (one) 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 RITA on the Village's behalf either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income tax revenue is credited only to the general fund.

Note 6 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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. 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, 2020.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 7 – Defined Benefit Pension Plans (Continued)

Social Security

Several of the Village’s employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2020.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include 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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

Note 9 – Debt

Debt outstanding at December 31, 2020 was as follows:

| | Principal | Interest Rate |
|-------------------------------------|-------------|---------------|
| OWDA Loan - Sewer Improvement | \$385,578 | 4.16% |
| OPWC Loan - Sewer Improvement | 25,000 | 0% |
| OWDA Loan - Water Tower Improvement | 862,101 | 1.05% |
| Total | \$1,272,679 | |

The Ohio Water Development Authority (OWDA) loan relates to a sewer improvement project. The OWDA approved \$1,861,897 to the Village for this project. The Village will repay the loan in semiannual installments of \$69,022, including interest over 20 years. Effective in 2016, a three percent subsidy to reduce the total payment was implemented. The loan is secured by sewer receipts and special assessments. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan is also for a sewer improvement project. The OPWC approved \$250,000 to the Village for the project. The Village will repay the loan in semiannual installments of \$6,250 over a 20 year term. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. No payments were accepted by OPWC in July 2020 due to a COVID-19 payment deferral.

The Ohio Water Development Authority (OWDA) loan relates to a new water tower construction project. The OWDA approved \$998,690 to the Village for this project. The Village received \$485,013 in 2017 and \$513,431 in 2018 for a total of \$998,444. The Village will repay the loan in semiannual installments of \$27,753, including interest over 20 years. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 9 – Debt (Continued)

Amortization

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

| Year Ending December 31: | Sewer Improvement OWDA Loan | OPWC Loan | Water Tower Improvement OWDA Loan |
|-----------------------------|-----------------------------------|--------------|---|
| 2021 | \$133,924 | \$12,500 | \$55,505 |
| 2022 | 135,369 | 12,500 | 55,505 |
| 2023 | 136,875 | | 55,505 |
| 2024 | | | 55,505 |
| 2025 | | | 55,505 |
| 2026-2030 | | | 277,525 |
| 2031-2035 | | | 277,525 |
| 2036-2037 | | | 111,010 |
| Total | \$406,168 | \$25,000 | \$943,585 |

Note 10 – Jointly Governed Organization

The B.M.R.T. Regional Ambulance District, Logan County, is directed by an appointed four member Board of Trustees. One Board member is appointed by each political subdivision within the District. Those subdivisions include McDonald, Richland, and Taylor Creek Townships and the Village of Belle Center. The District was established to provide rescue and responds with mutual aid service to any agency requesting such services.

Note 11 – Fund Balances

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds is restricted or committed. These restricted and committed amounts in the special revenue and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 13 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 14 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Street Construction, Maintenance, and Repair fund by \$9,937 for the year ended December 31, 2020.

Note 15 – Subsequent Event

On November 9, 2021, the Village approved to borrow \$158,640.83 for the purpose of a new trash truck at an interest rate of 3.25% for a six year loan with monthly payments of \$2,431.91.

Village of Belle Center, Ohio
Logan County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$22,315 | \$4,770 | | \$27,085 |
| Municipal Income Tax | 135,085 | | | 135,085 |
| Intergovernmental | 13,254 | 48,701 | \$96,411 | 158,366 |
| Fines, Licenses and Permits | 7,941 | | | 7,941 |
| Earnings on Investments | 164 | 11 | | 175 |
| Miscellaneous | 10,875 | | 19,050 | 29,925 |
| <i>Total Cash Receipts</i> | <u>189,634</u> | <u>53,482</u> | <u>115,461</u> | <u>358,577</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 54,561 | | | 54,561 |
| Community Environment | 763 | | | 763 |
| Transportation | 6,500 | 49,422 | | 55,922 |
| General Government | 187,822 | | 18,938 | 206,760 |
| Capital Outlay | | | 123,236 | 123,236 |
| <i>Total Cash Disbursements</i> | <u>249,646</u> | <u>49,422</u> | <u>142,174</u> | <u>441,242</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(60,012)</u> | <u>4,060</u> | <u>(26,713)</u> | <u>(82,665)</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | | 3,349 | | 3,349 |
| Transfers Out | (48,145) | | | (48,145) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(48,145)</u> | <u>3,349</u> | | <u>(44,796)</u> |
| <i>Net Change in Fund Cash Balances</i> | (108,157) | 7,409 | (26,713) | (127,461) |
| <i>Fund Cash Balances, January 1</i> | <u>271,170</u> | <u>42,410</u> | <u>28,267</u> | <u>341,847</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | | 49,819 | 803 | 50,622 |
| Committed | | | 751 | 751 |
| Unassigned | 163,013 | | | 163,013 |
| <i>Fund Cash Balances, December 31</i> | <u>\$163,013</u> | <u>\$49,819</u> | <u>\$1,554</u> | <u>\$214,386</u> |

See accompanying notes to the basic financial statements

Village of Belle Center, Ohio
Logan County
Combined Statement of Receipts, Disbursements
and Change in Fund Balance (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2019

| | <u>Proprietary Fund Type</u> |
|---|------------------------------|
| | <u>Enterprise</u> |
| Operating Cash Receipts | |
| Charges for Services | \$425,636 |
| <i>Total Operating Cash Receipts</i> | <u>425,636</u> |
| Operating Cash Disbursements | |
| Personal Services | 97,987 |
| Employee Fringe Benefits | 20,821 |
| Contractual Services | 81,183 |
| Supplies and Materials | 91,491 |
| Other | 97,978 |
| <i>Total Operating Cash Disbursements</i> | <u>389,460</u> |
| <i>Operating Income</i> | <u>36,176</u> |
| Non-Operating Receipts (Disbursements) | |
| Special Assessments | 56,962 |
| Earnings on Investments (proprietary funds only) | 680 |
| Principal Retirement | (171,638) |
| Interest and Other Fiscal Charges | (27,575) |
| Other Financing Sources | 801 |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(140,770)</u> |
| <i>(Loss) before Transfers</i> | (104,594) |
| <i>Transfers In</i> | 44,796 |
| <i>Net Change in Fund Cash Balance</i> | <u>(59,798)</u> |
| <i>Fund Cash Balance, January 1</i> | <u>271,994</u> |
| <i>Fund Cash Balance, December 31</i> | <u><u>\$212,196</u></u> |

See accompanying notes to the basic financial statements

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of Belle Center (the Village), Logan County, 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 water, sewer, and refuse utilities and park operations. The Village contracts with the Logan County Sheriff's department to provide security of persons and property. The Village contracts with Richland Township Fire Department to receive fire protection services. The Village contracts with B.M.R.T. Regional Ambulance District to receive medical protection services.

Jointly Governed Organization

The Village participates in a jointly governed organization. Note 11 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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 combined statement of receipts, disbursements and change in fund balance (regulatory cash basis) for 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.

Capital Projects Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Funds:

Other Capital Projects Fund The fund is used for capital improvements for the Village's parks as well as the depot.

Citgo Project Fund The fund is used for capital improvements for the area where the old Citgo gas station was.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 Operating Fund The water operating fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

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

Garbage Operating Fund The garbage operating fund accounts for the provision of refuse pick up services to the residents and commercial users within the Village.

Ohio Water Development Authority (OWDA) Loan Fund The OWDA fund is a portion of the sewer charges from each customer set aside to pay the debt service.

Basis of Accounting

These financial statements follow 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). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 fund 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 2019 budgetary activity appears in Note 4.

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.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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:

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

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.

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.

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.

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.

Deposits and Investments

The Village maintains a checking account and certificate of deposit. The Village has no investments.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$36,472 for the year ended December 31, 2019.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2019, follows:

| 2019 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$154,800 | \$189,634 | \$34,834 |
| Special Revenue | 49,000 | 56,831 | 7,831 |
| Capital Projects | 270,000 | 115,461 | (154,539) |
| Enterprise | 534,500 | 528,875 | (5,625) |
| Total | \$1,008,300 | \$890,801 | (\$117,499) |

| 2019 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$261,319 | \$297,791 | (\$36,472) |
| Special Revenue | 61,176 | 49,422 | 11,754 |
| Capital Projects | 296,825 | 142,174 | 154,651 |
| Enterprise | 631,481 | 588,673 | 42,808 |
| Total | \$1,250,801 | \$1,078,060 | \$172,741 |

Note 5 – Deposits and Investments

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:

| | |
|-------------------------|-----------|
| | 2019 |
| Demand deposits | \$126,582 |
| Certificates of deposit | 300,000 |
| Total deposits | \$426,582 |

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 6 – Taxes (Continued)

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.

Income Taxes

The Village levies a municipal income tax of 1 (one) 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 RITA on the Village's behalf either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income tax revenue is credited only to the general fund.

Note 7 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance 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

Some 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. 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, 2019.

Social Security

Several of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include 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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Note 10 – Debt

Debt outstanding at December 31, 2019 was as follows:

| | Principal | Interest Rate |
|-------------------------------------|-------------|---------------|
| OWDA Loan - Sewer Improvement | \$503,877 | 4.16% |
| OPWC Loan - Sewer Improvement | 31,250 | 0% |
| OWDA Loan - Water Tower Improvement | 908,191 | 1.05% |
| Total | \$1,443,318 | |

The Ohio Water Development Authority (OWDA) loan relates to a sewer improvement project. The OWDA approved \$1,861,897 to the Village for this project. The Village will repay the loan in semiannual installments of \$69,022, including interest over 20 years. Effective in 2016, a three percent subsidy to reduce the total payment was implemented. The loan is secured by sewer receipts and special assessments. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan is also for a sewer improvement project. The OPWC approved \$250,000 to the Village for the project. The Village will repay the loan in semiannual installments of \$6,250 over a 20 year term. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan relates to a new water tower construction project. The OWDA approved \$998,690 to the Village for this project. The Village received \$485,013 in 2017 and \$513,431 in 2018 for a total of \$998,444. The Village will repay the loan in semiannual installments of \$27,753, including interest over 20 years. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Amortization

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

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 10 – Debt (Continued)

| Year Ending December 31: | Sewer Improvement OWDA Loan | OPWC Loan | Water Tower Improvement OWDA Loan |
|-----------------------------|-----------------------------------|-----------------|---|
| 2020 | \$132,538 | \$12,500 | \$55,505 |
| 2021 | 133,924 | 12,500 | 55,505 |
| 2022 | 135,369 | 6,250 | 55,505 |
| 2023 | 136,875 | | 55,505 |
| 2024 | | | 55,505 |
| 2025-2029 | | | 277,525 |
| 2030-2034 | | | 277,525 |
| 2035-2037 | | | 166,515 |
| Total | <u>\$538,706</u> | <u>\$31,250</u> | <u>\$999,090</u> |

Note 11 – Jointly Governed Organization

The B.M.R.T. Regional Ambulance District, Logan County, is directed by an appointed four member Board of Trustees. One Board member is appointed by each political subdivision within the District. Those subdivisions include McDonald, Richland, and Taylor Creek Townships and the Village of Belle Center. The District was established to provide rescue and responds with mutual aid service to any agency requesting such services.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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

Village of Belle Center
Logan County
P.O. Box 508
Belle Center, Ohio 43310

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 cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2020 and 2019, and related notes of the Village of Belle Center, Logan County, (the Village) and have issued our report thereon dated March 7, 2022, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider findings 2020-001 and 2020-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2020-003 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. 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 2020-001 through 2020-003.

Village's Responses to Findings

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

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 7, 2022

VILLAGE OF BELLE CENTER
LOGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019

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

FINDING NUMBER 2020-001

Noncompliance and Material Weakness – Financial Reporting

Ohio Rev. Code § 733.28 provides, in part, that the Village Clerk shall keep the books of the Village and exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and the income derived therefrom, and of all taxes and assessments. **Ohio Admin. Code § 117-2-02(A)**, states, in part, that all local public offices shall 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Rev. Code § 5705.10(D) provides, in part, that all revenue derived from a source other than the general property tax, and which the law prescribes shall be used for a particular purpose, is to be paid into a special fund for such purpose.

Ohio Rev. Code § 5735.27(A) provides, in part, that villages are to receive tax monies from the State treasury, derived from the gasoline excise tax, to be used to plan, construct, reconstruct, repave, widen, maintain, repair, clear, and clean public highways, roads, and streets; to maintain and repair bridges and viaducts; to purchase, erect, and maintain street and traffic signs and markers; to pay the costs apportioned to the municipal corporation under section 4907.47 of the Revised Code; to purchase, erect, and maintain traffic lights and signals; to pay the principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133. of the Revised Code or incurred pursuant to section 5531.09 of the Revised Code for the purpose of acquiring or constructing roads, highways, bridges, or viaducts or acquiring or making other highway improvements for which the municipal corporation may issue bonds; and to supplement revenue already available for these purposes. This money should be receipted into the Street Construction, Maintenance, and Repair Fund (also referred to statutorily as the “gas excise tax fund”). Ohio Rev. Code §§ 5735.051; 5735.27.

Ohio Rev. Code § 5735.28 states wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to sections 4501.04 and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways, or to pay principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133. of the Revised Code or incurred pursuant to section 5531.09 of the Revised Code for such purposes. The financial activity should be receipted to the State Highway Fund (also referred to statutorily as the “highway operating fund”). Ohio Rev. Code §§ 5735.051; 5735.27; 5735.28.

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

FINDING NUMBER 2020-001
(Continued)

The following adjustments and reclassifications were posted to the financial statements and where applicable, to the accounting records:

General Fund

- 2019 – Adjusted an improper expenditure for \$1,188 from the Street Construction, Maintenance, and Repair Special Revenue Fund to the General Fund
- 2020 – Removed a duplicate municipal tax receipt for \$1,884
- 2020 – Removed a duplicate auto license receipt for \$985 posted incorrectly to the General Fund
- 2020 – Adjusted an auto license receipt for \$511 incorrectly posted to the General Fund
- 2020 - Adjusted special assessment revenue for \$20,590 that should have been posted to the Ohio Water Development Authority Loan Enterprise Fund
- 2020 – Adjusted income tax receipts (\$6,326), expenditures (\$2,251), and cash (\$8,577) to remove an incorrect tax posted to the General Fund
- 2020 – Adjusted \$30,322 from the beginning balance due to incorrect mapping of the Enterprise Deposit Fund

Special Revenue Fund

- 2019 – Adjusted \$4,724 in Permissive Tax Special Revenue Fund revenue from the Street Construction, Maintenance and Repair and State Highway Special Revenue Funds
- 2019 – Adjusted \$996 in revenues posted to Street Construction, Maintenance, and Repair Special Revenue Fund that should have been posted to the State Highway Special Revenue Fund
- 2019 - Reclassified \$5,463 from taxes to intergovernmental revenue in the Street Construction, Maintenance, and Repair Special Revenue Fund
- 2020 – Adjusted \$15,309 in revenue from the State Highway Special Revenue Fund to the Street Construction, Maintenance, and Repair Special Revenue Fund

Capital Projects Fund

- 2019 - Reclassified \$96,411 in grant revenue from charges for services to intergovernmental revenue
- 2020 – Reclassified \$145,945 in grant revenues from charges for services to intergovernmental revenue

Enterprise Fund

- 2019-Adjusted \$20,615 in special assessment revenue from the Sewer Operating Enterprise Fund to the Ohio Water Development Authority Loan Enterprise Fund
- 2019 – Reclassified \$36,252 in special assessment revenue from charges for services
- 2019 – Reclassified \$20,586 from principal retirement to contractual services
- 2020 – Reclassified \$32,933 in special assessment revenue from charges for services

In addition to the adjustments and reclassifications listed above, we also identified additional misstatements ranging from \$113 to \$19,051 that we have brought to the Village's attention. The above errors resulted from lack of training and knowledge of governmental accounting for Villages.

The failure to correctly classify financial activity in the accounting records and financial statements may impact the user's understanding of the financial operations, the Village's ability to make sound financial decisions or comply with budgetary law, and/or result in materially misstated reports. Not properly accounting for grants/loans could result in misspending by the Village.

The Village should have procedures in place to provide for accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

**FINDING NUMBER 2020-001
(Continued)**

Officials' Response:

The Fiscal Officer is researching and obtaining training to accurately report financial transactions.

FINDING NUMBER 2020-002

Noncompliance – Failure to Remit Withholdings

26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

Ohio Rev. Code § 5747.07(B)(3) states, in part, that if an employer's actual or required payments were more than two thousand dollars during the twelve-month period ending on the thirtieth day of June of the preceding calendar year, the employer shall make the payment of undeposited taxes for each month during which they were required to be withheld no later than fifteen days following the last day of that month. The employer shall file the return prescribed by the tax commissioner with the payment.

The Village did not remit its federal and state withholding amounts or file the tax reports in November and December 2020. The total amount not remitted to State and Federal through December 31, 2020 was \$4,415. The Village remitted the withholdings by November 2021 including additional assessments of \$1,532.

Policies and procedures should be established and implemented to verify income taxes are properly and timely remitted to the Internal Revenue Service and Ohio Department of Taxation and required returns are filed in a timely manner. Failure to do so could result in additional assessment of fines and penalties against the Village as well as possible findings for recovery being issued in future audits.

This matter will be referred to the Internal Revenue Service and State of Ohio Department of Taxation.

Officials' Response:

The Fiscal Officer is completing remittances and withholdings at the beginning of every month.

FINDING NUMBER 2020-003

Noncompliance and Significant Deficiency – Budgetary

Ohio Rev. Code § 5705.36(A)(5) states the total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund in the official certificate of estimated resources, or any amendment thereof, certified prior to the making of the appropriation or supplemental appropriation.

Ohio Rev. Code § 5705.38(C) states, in part, appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and within each, the amount appropriated for personal services.

FINDING NUMBER 2020-003
(Continued)

Ohio Rev. Code § 5705.39 states the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.

Ohio Rev. Code § 5705.40 states, in part, any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all the provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

Ohio Rev. Code § 5705.41(B) states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

Ohio Admin. Code 117-2-02(C)(1) states 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 appropriation balances. The legal level of control is the level at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates. The Village is subject to requirements of Ohio Rev. Code Section 5705.38.

In 2019 and 2020, Council approved appropriations at the fund level rather than the required legal level of control. Council approved various appropriation amendments throughout 2019 and 2020; however the amendments were not sent to the County Auditor. Additionally, the Fiscal Officer posted appropriation amendments to the accounting system that were not approved by Council. As a result, expenditures exceeded appropriations by \$36,472 for the General Fund in 2019. The Fiscal Officer also posted incorrect estimated revenue amounts in the accounting system and/or did not request amended certificates from the County Auditor. Consequently, the budgetary note disclosures were inaccurate in the financial reports. Furthermore, in 2020, appropriations exceeded estimated resources for the Street Construction, Maintenance, and Repair Special Revenue Fund by \$9,937.

The Village should adopt appropriations at the minimum legal level of control as outlined in ORC 5705.38(C) and verify the approved amounts, including any amendments, are filed with the county auditor and updated appropriately in the accounting system. In addition, the Village should implement procedures to verify changes to estimated revenues are filed with the County Auditor and amended certificates are obtained. Failure to properly adopt appropriations/amendments, update estimated revenues, file budgetary changes with the County Auditor, update the accounting system, and/or review budget to actual reports can result in inaccurate financial reporting, overspending of resources, and/or unauthorized expenditures.

Officials' Response:

Council is now approving appropriations at the proper legal level of control and the Fiscal Officer is now timely submitting them to the County.

FINDING NUMBER 2020-004

Material Weakness – Bank Reconciliations and Untimely Postings

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the books provide reasonable assurance all receipts and disbursements have been correctly and timely posted into the Village's Uniform Accounting Network (UAN) system and its bank account. Reconciliations provide an accurate accounting of the Village's financial position at month end.

The Village failed to timely post receipts and expenditures to the UAN system throughout 2019 and 2020. Significant time delays in posting financial transactions into the UAN system can result in permanent omissions, as well as the Village Council reviewing incomplete financial reports.

Failure to post receipts and expenditures timely resulted in untimely bank reconciliations. During the years ended 2020 and 2019, most reconciliations were not completed until significantly after the month being reconciled. The reconciliations for the months of March through December 2019 were not completed until February 2020. The reconciliations for the months of February through May 2020 were not completed until August 2020, and the reconciliations for the months of July through November 2020 were not completed until January 2021. Although the reconciliations were completed, they were not accurate. For the year ended 2020, the Village cleared all receipts and payments which resulted in the books agreeing exactly to the bank. Additionally, the books did not include all financial transactions and resulted in overstated cash fund balances by \$11,243. The errors were identified during audit, recorded on the financial statements, and posted to the accounting system.

The monthly bank reconciliation is a basic control to verify the accuracy and completeness of the Village's recording of current receipts and disbursements in the UAN system. Failure to maintain accurate monthly bank reconciliations and failure to have individuals other than the Fiscal Officer review the bank reconciliations increases the possibility the Village would not properly detect the errors or funds being altered, lost, or stolen.

The Village should implement control procedures to verify the monthly bank reconciliations are promptly performed and the financial transactions, which are reflected on the bank statements, are timely posted to the Village's UAN system. Additionally, the monthly bank reconciliations should be reviewed by the Village Council to ensure the proper procedures were followed and the accounts are reconciled. The Village Council review should be documented by their signatures/initials on the bank reconciliations and their approval of the bank reconciliations should be noted in the meeting minutes.

Officials' Response:

The Fiscal Officer is timely completing bank reconciliations and Council members are signing and approving them in the minutes.

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**Village of Belle Center
Logan County
P.O. Box 508
Belle Center, Ohio**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019**

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|---------------------|--|
| 2018-001 | Noncompliance and Material Weakness: Financial Reporting | Not Corrected | The Village is working on continuing to have accurate reporting. Repeated as Finding 2020-001. |
| 2018-002 | Noncompliance and Material Weakness: Destruction of Utility Records | Partially Corrected | February 2018 Software for the Utility Billing was changed to RVS. Daily reports, monthly reports and end of year reports are being kept. Repeated in Management Letter |
| 2018-003 | Noncompliance and Material Weakness: Failure to Remit Withholdings | Not Corrected | The Village is working on timely payment of withholdings. Repeated as Finding 2020-002. |
| 2018-004 | Material Weakness: Bank Reconciliations and Timely Posting of Receipts in UAN | Not Corrected | The Village is working on having timely and accurate bank reconciliations. Repeated as Finding 2020-004. |

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF BELLE CENTER

LOGAN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/12/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov