



**Auditor of State
Betty Montgomery**

VILLAGE OF POWHATAN POINT
BELMONT COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Powhatan Point
Belmont County
104 Mellott Street
Powhatan Point, Ohio 43942

To the Village Council:

We have audited the accompanying financial statements of the Village of Powhatan Point, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Powhatan Point, Belmont County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Powhatan Point
Belmont County
Independent Accountants' Report
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This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 10, 2003

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$42,853	\$63,205	\$	\$106,058
Municipal Income Tax	117,648	38,835		156,483
Intergovernmental Receipts	87,096	203,908	122,997	414,001
Charges for Services		31,000		31,000
Fines, Licenses, and Permits	46,872	10,810		57,682
Earnings on Investments	7,029			7,029
Miscellaneous	8,139	10,146		18,285
	<u>309,637</u>	<u>357,904</u>	<u>122,997</u>	<u>790,538</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	174,196	76,986		251,182
Public Health Services	4,812			4,812
Leisure Time Activities		181,144		181,144
Transportation		107,934		107,934
General Government	144,859	978		145,837
Debt Service:				
Principal Payments		18,686		18,686
Interest Payments		10,054		10,054
Capital Outlay		18,654	166,212	184,866
	<u>323,867</u>	<u>414,436</u>	<u>166,212</u>	<u>904,515</u>
Total Cash Disbursements				
Total Cash Receipts (Under) Cash Disbursements	<u>(14,230)</u>	<u>(56,532)</u>	<u>(43,215)</u>	<u>(113,977)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		20,800	46,187	66,987
Advances-In		29,094		29,094
Transfers-Out	(20,800)			(20,800)
Advances-Out	(29,094)			(29,094)
Other Financing Sources	5,000			5,000
Other Financing Uses	(11,000)			(11,000)
	<u>(55,894)</u>	<u>49,894</u>	<u>46,187</u>	<u>40,187</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(70,124)	(6,638)	2,972	(73,790)
Fund Cash Balances, January 1	<u>162,823</u>	<u>78,920</u>	<u>0</u>	<u>241,743</u>
Fund Cash Balances, December 31	<u>\$92,699</u>	<u>\$72,282</u>	<u>\$2,972</u>	<u>\$167,953</u>

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

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$383,260
Miscellaneous	425
	383,685
Total Operating Cash Receipts	383,685
Operating Cash Disbursements:	
Personal Services	130,621
Fringe Benefits	39,331
Contractual Services	27,092
Supplies and Materials	115,794
Other	1,542
Capital Outlay	10,600
	324,980
Total Operating Cash Disbursements	324,980
Operating Income	58,705
Non-Operating Cash Disbursements:	
Debt Service - Principal	33,227
Debt Service - Interest and Fiscal Charges	16,924
	50,151
Total Non-Operating Cash Disbursements	50,151
Excess of Receipts Over Disbursements Before Interfund Transfers	8,554
Transfers-Out	(46,187)
Net Receipts (Under) Disbursements	(37,633)
Fund Cash Balances, January 1	355,354
Fund Cash Balances, December 31	\$317,721

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

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$31,065	\$48,749	\$79,814
Municipal Income Tax	125,916	42,705	168,621
Intergovernmental Receipts	102,558	119,025	221,583
Charges for Services		24,400	24,400
Fines, Licenses, and Permits	53,793	11,393	65,186
Earnings on Investments	11,278		11,278
Miscellaneous	7,136	11,351	18,487
	<u>331,746</u>	<u>257,623</u>	<u>589,369</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	133,205	84,186	217,391
Public Health Services	2,311		2,311
Leisure Time Activities		7,800	7,800
Transportation		150,285	150,285
General Government	108,144	1,080	109,224
Debt Service:			
Principal Payments		17,813	17,813
Interest Payments		10,927	10,927
Capital Outlay	12,737	31,081	43,818
	<u>256,397</u>	<u>303,172</u>	<u>559,569</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>75,349</u>	<u>(45,549)</u>	<u>29,800</u>
Other Financing Receipts/Disbursements):			
Sale of Fixed Assets		5,000	5,000
Transfers-In		60,000	60,000
Transfers-Out	(60,000)		(60,000)
Other Financing Uses	(6,000)		(6,000)
	<u>(66,000)</u>	<u>65,000</u>	<u>(1,000)</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	9,349	19,451	28,800
Fund Cash Balances, January 1	<u>153,474</u>	<u>59,469</u>	<u>212,943</u>
Fund Cash Balances, December 31	<u>\$162,823</u>	<u>\$78,920</u>	<u>\$241,743</u>

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

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$389,601
Miscellaneous	5,233
	<u>394,834</u>
Total Operating Cash Receipts	<u>394,834</u>
Operating Cash Disbursements:	
Personal Services	134,207
Fringe Benefits	42,632
Contractual Services	39,759
Supplies and Materials	111,199
Other	6,513
Capital Outlay	18,371
	<u>352,681</u>
Total Operating Cash Disbursements	<u>352,681</u>
Operating Income	<u>42,153</u>
Non-Operating Cash Disbursements:	
Debt Service - Principal	29,978
Debt Service - Interest and Fiscal Charges	20,173
	<u>50,151</u>
Total Non-Operating Cash Disbursements	<u>50,151</u>
Net Receipts (Under) Disbursements	(7,998)
Fund Cash Balances, January 1	<u>363,352</u>
Fund Cash Balances, December 31	<u>\$355,354</u>

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

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Powhatan Point, Belmont County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with Switzerland Township, York Township and Belmont County Commissioners to provide fire protection services and/or ambulance services. The Village is involved with the Bel-O-Mar Regional Council which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Note 10.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

U.S. Treasury Notes are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives municipal income tax, gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

VILLAGE OF POWHATAN POINT
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Marina Project Fund -This fund received a grant from the Ohio Department of Natural Resources for the construction of main and finger docks and bank stabilization.

Fire and Emergency Fund -This fund receives property tax and fire contract revenues to operate the volunteer fire department and emergency squad.

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Issue II Fund - The Village received Issue II funds through the Ohio Public Works Commission for the replacement of water lines, sidewalks and asphalt shoulder.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$145,674	\$257,097
Savings account	250,000	250,000
Total deposits	395,674	507,097
U.S. Treasury Notes	90,000	90,000
Total investments	90,000	90,000
Total deposits and investments	\$485,674	\$597,097

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

Investments: U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001, follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$331,746	\$314,637	(\$17,109)
Special Revenue	437,003	378,704	(58,299)
Capital Projects	0	169,184	169,184
Enterprise	490,453	383,685	(106,768)
Total	\$1,259,202	\$1,246,210	(\$12,992)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$435,000	\$355,667	\$79,333
Special Revenue	460,350	414,436	45,914
Capital Projects	0	166,212	(166,212)
Enterprise	556,000	421,318	134,682
Total	\$1,451,350	\$1,357,633	\$93,717

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$323,500	\$331,746	\$8,246
Special Revenue	297,175	322,623	25,448
Enterprise	600,000	394,834	(205,166)
Total	\$1,220,675	\$1,049,203	(\$171,472)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$400,000	\$322,397	\$77,603
Special Revenue	492,500	303,172	189,328
Capital Projects	56,000	0	56,000
Enterprise	515,000	402,832	112,168
Total	\$1,463,500	\$1,028,401	\$435,099

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the Issue II Fund by \$166,212, for the year ended December, 31, 2002.

Contrary to Ohio law, appropriations exceeded estimated resources in the State Highway Fund by \$7,340, for the year ended December 31, 2002, and in the Marina Project, Issue II, and Parks and Recreation Funds' by \$180,000, \$56,000 and \$2,996, respectively, for the year ended December 31, 2001.

Also contrary to Ohio law, an increased amended certificate from the County Budget Commission was not obtained for the Issue II Fund in the amount of \$122,997 in the year 2002 and for the Marina Project Fund in the amount of \$7,800 in the year 2001.

The Village Clerk/Treasurer transferred \$46,187 from the Water Operating Fund to the Issue II Fund in 2002, without approval of Village Council, the Tax Commissioner and Court of Common Pleas, and \$15,000 was transferred from the General Fund to the Street Construction, Maintenance and Repair Fund in 2001 without Village Council approval, contrary to Ohio law.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of three-quarters of 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 Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

By Village ordinance, income tax revenues are to be used for general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT

Debt outstanding at December 31, 2002, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$122,898	10.84%
General Obligation Note/Installment Loan	186,505	4.90%
Total	\$309,403	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated in 1985 by the Ohio Environmental Protection Agency. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The General Obligation Note/Installment Loan was issued to purchase a new fire truck and equipment. The loan will be repaid in annual installments of \$28,740, including interest, over ten years. The General Obligation Note is collateralized by the Village's taxing authority.

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

	OWDA Loan	General Obligation Notes
Year ending December 31:		
2003	\$50,151	\$28,740
2004	50,151	28,740
2005	50,151	28,740
2006		28,740
2007		28,740
2008-2012		86,219
Total	\$150,453	\$229,919

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporations.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2001 and 2000 (the latest information available):

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$19,358,458	\$17,112,129
Liabilities	<u>(8,827,588)</u>	<u>(7,715,035)</u>
Retained Earnings	<u>\$10,530,870</u>	<u>\$9,397,094</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$1,890,323	\$1,575,614
Liabilities	<u>(469,100)</u>	<u>(281,561)</u>
Retained Earnings	<u>\$1,421,223</u>	<u>\$1,294,053</u>

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

9. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

10. JOINTLY GOVERNED ORGANIZATION

Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio, and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by each local government within Belmont County. The Mayor of the Village of Powhatan Point serves as the Village's representative on the board and a Councilman serves as the Village's alternate. The Council is not dependent upon the Village of Powhatan Point for its continued existence, no debt exists, and the Village does not maintain an equity interest.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Powhatan Point
Belmont County
104 Mellott Street
Powhatan Point, Ohio 43942

To the Village Council:

We have audited the accompanying financial statements of the Village of Powhatan Point, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-31007-001 through 2002-31007-004. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated March 10, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-31007-005 through 2002-31007-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated March 10, 2003.

This report is intended solely for the information and use of management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 10, 2003

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-31007-001

Noncompliance Citation

Ohio Rev. Code § 5705.14 provides that no transfer can be made from one fund of a subdivision to any other fund, with the following exception as noted in (E) of this section – money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority. Except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two-thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two-thirds vote is not required for general fund transfers though a resolution is required). In addition to the transfers listed above, which are authorized in Ohio Rev. Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and of the Court of Common Pleas, may transfer from one fund to another any public funds under its supervision, except the proceeds or balances of:

- loans,
- bond issues,
- special levies for the payment of loans or bond issues,
- the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and
- the proceeds or balances of any license fees imposed by law for a specified purpose.

In 2002, the Village did not authorize, through a resolution with the affirmative vote of two-thirds of the members, the transfer of \$46,187 from the Water Operating Fund to the Issue II Fund, nor was the approval of the Tax Commissioner and Court of Common Pleas obtained. This transfer was made to meet their matching requirement on the Issue II waterline project. Auditor of State Bulletin 2002-004 provides guidance on the accounting treatment of matching requirements which states in part if the authority does not exist for the transfer of monies to the capital projects fund, then the local governments shall appropriate and expend its matching requirement directly from the other fund, if lawfully permitted.

In 2001, the Village did not authorize, through a resolution, the transfer of \$15,000 from the General Fund to the Street Construction, Maintenance and Repair Fund.

We recommend Village Council pass a retroactive resolution to formally approve the inter-fund transfers noted above and obtain the approval of the Tax Commissioner and Court of Common Pleas when required. We also recommend that in the future when the Village has to meet a matching requirement for an Issue II project they follow the guidelines stipulated in Auditor of State Bulletin 2002-004.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2002-31007-002

Noncompliance Citation

Ohio Rev. Code § 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

In 2002, the Village received \$122,997 and expended \$166,212 in Issue II monies and did not obtain an increased amended certificate from the County Budget Commission.

In 2001, the Village received and expended \$7,800 in the Marina Project Fund and did not obtain an increased amended certificate from the County Budget Commission.

We recommend the Village certify to the County Budget Commission any new monies received so amounts appropriated do not exceed the certified estimated revenue.

FINDING NUMBER 2002-31007-003

Noncompliance Citation

Ohio Rev. Code § 5705.39 states that total appropriations from each fund shall not exceed the total estimated revenue.

At December 31, 2002, the following fund had appropriations which exceeded the total estimated revenue as follows:

Fund	Estimated Resources	Appropriations	Excess
State Highway Fund	\$4,660	\$12,000	(\$7,340)

At December 31, 2001, the following funds had appropriations which exceeded the total estimated revenue as follows:

Fund	Estimated Resources	Appropriations	Excess
Marina Project Fund	\$0	\$180,000	(\$180,000)
Issue II Fund	0	56,000	(56,000)
Parks and Recreation Fund	7,004	10,000	(2,996)

We recommend the Village develop internal control procedures to ensure that appropriations do not exceed the total estimated revenue as certified by the County Budget Commission.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2002-31007-004

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

As of December 31, 2002, the Issue II Fund had expenditures exceeding appropriations in the amount of \$166,212.

Council and the Clerk/Treasurer should review and follow the budgetary procedures for Issue II funding described in Auditor of State Bulletin 2002-004.

FINDING NUMBER 2002-31007-005

Reportable Condition - Posting of Receipts

Receipts should be posted to the fund and line item accounts as established by the Ohio Administrative Code 117-9-01 and receipts should be posted to the computer system the same day of receipt or within a reasonable period of time.

Intergovernmental revenues, taxes and charges for service revenues were not posted into the correct receipt classification, based on the source of receipt. As a result, reclassifications to the financial statements were required. Also, most generally, the Clerk/Treasurer was not posting receipts to the computer system until the end of the month. Not posting receipts in a timely manner could result in inaccurate information on fund cash balances presented to Village officials.

We recommend the Clerk/Treasurer consult Ohio Administrative Code Section 117-9-01 and/or the Village Officer's Handbook when monies are received, to help ensure these transactions are posted to the correct receipt classifications. We also recommend the Clerk/Treasurer post receipts to the computer system in a more timely manner than at the end of the month.

FINDING NUMBER 2002-31007-006

Reportable Condition - Posting of Budgetary Amounts

Appropriations as approved by Village Council and estimated receipts as approved by the County Budget Commission should be entered into the Village's computer system.

The Village Clerk/Treasurer did not accurately post appropriations and estimated receipts to the Uniform Accounting Network ledgers. Because the information posted to the ledgers was inaccurate, Village management was unable to effectively monitor budget versus actual activity. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations as approved by Village Council and estimated receipts as certified by the County Budget Commission.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2002-31007-006 (Continued)

Reportable Condition - Posting of Budgetary Amounts (Continued)

To help ensure more useful comparisons of budget versus actual activity, we recommend the Village Clerk/Treasurer post appropriations and estimated receipts to the computer system, as approved by Village Council and certified by the County Budget Commission.

FINDING NUMBER 2002-31007-007

Reportable Condition - Approval of Advances

Auditor of State Bulletin 97-03 states that advances must be approved by a formal resolution of the taxing authority of the subdivision. This resolution must include a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made. The Audit Bulletin also indicates that in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established.

In 2002, the Village Clerk/Treasurer recorded advances of \$33,600 from the General Fund to the Marina Project Fund and Police Equipment Fund. Repayment of the advance from the Police Equipment Fund back to the General Fund was recorded on the Village's ledgers. Only a portion of the repayment of the advance from the Marina Project Fund back to the General Fund was recorded on the Village's ledgers. The Village Council did not approve the advances by a formal resolution.

In 2001, the Village Clerk/Treasurer recorded an advance of \$7,800 from the General Fund to the Marina Project Fund. Repayment of the advance was also recorded on the Village's ledgers. However, the Village Council did not approve the advance by a formal resolution.

We recommend the Village Council approve inter-fund advances through the adoption of a formal resolution or ordinance.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-31007-001	Ohio Rev. Code Section 5705.41(B) prohibits an expenditure unless it has been properly appropriated.	No	Reissued as finding No. 2002-31007-004 and reported in the management letter.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF POWHATAN POINT

BELMONT 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
MAY 8, 2003**