



**Auditor of State
Betty Montgomery**

VILLAGE OF POWHATAN POINT
BELMONT COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 12, 2005

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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, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, 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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 12, 2005

**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, 2004**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$33,939	\$61,295	\$95,234
Municipal Income Tax	111,830	37,230	149,060
Intergovernmental Receipts	88,720	294,029	382,749
Charges for Services	300	84,155	84,455
Fines, Licenses, and Permits	41,398	9,208	50,606
Earnings on Investments	3,858	15	3,873
Miscellaneous	22,089	3,880	25,969
	<u>302,134</u>	<u>489,812</u>	<u>791,946</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	118,359	132,552	250,911
Public Health Services	4,754		4,754
Transportation		105,679	105,679
General Government	115,932	6,052	121,984
Debt Service:			
Principal Payments		55,291	55,291
Interest Payments		14,930	14,930
Capital Outlay	20,050	227,211	247,261
	<u>259,095</u>	<u>541,715</u>	<u>800,810</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>43,039</u>	<u>(51,903)</u>	<u>(8,864)</u>
Other Financing Receipts and (Disbursements):			
Sale of Fixed Assets		1,828	1,828
Transfers-In		24,000	24,000
Transfers-Out	(24,000)	(959)	(24,959)
Other Financing Sources	25		25
	<u>(23,975)</u>	<u>24,869</u>	<u>894</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	19,064	(27,034)	(7,970)
Fund Cash Balances, January 1	<u>106,138</u>	<u>114,114</u>	<u>220,252</u>
Fund Cash Balances, December 31	<u>\$125,202</u>	<u>\$87,080</u>	<u>\$212,282</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
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$448,592
Total Operating Cash Receipts	448,592
Operating Cash Disbursements:	
Personal Services	110,779
Fringe Benefits	44,269
Contractual Services	101,920
Supplies and Materials	87,856
Other	1,080
Capital Outlay	85,812
Total Operating Cash Disbursements	431,716
Operating Income	16,876
Non-Operating Cash Receipts:	
Intergovernmental Receipts	16,235
Miscellaneous Receipts	1,795
Other Financing Sources	1,091
Total Non-Operating Cash Receipts	19,121
Non-Operating Cash Disbursements:	
Redemption of Debt Service Principal	40,821
Interest and Other Fiscal Charges	6,025
Total Non-Operating Cash Disbursements	46,846
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(10,849)
Transfers-In	959
Net Receipts (Under) Disbursements	(9,890)
Fund Cash Balances, January 1	217,635
Fund Cash Balances, December 31	\$207,745

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, 2003**

	<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	\$32,119	\$64,583	\$	\$96,702
Municipal Income Tax	118,188	36,822		155,010
Intergovernmental Receipts	101,679	91,785	66,646	260,110
Charges for Services		61,615		61,615
Fines, Licenses, and Permits	43,656	10,071		53,727
Earnings on Investments	5,591			5,591
Miscellaneous	2,391	3,291		5,682
	<u>303,624</u>	<u>268,167</u>	<u>66,646</u>	<u>638,437</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	142,870	79,861		222,731
Public Health Services	6,516			6,516
Transportation		113,456		113,456
General Government	123,979	947		124,926
Debt Service:				
Principal Payments		25,348		25,348
Interest Payments		9,642		9,642
Capital Outlay		186,443	69,455	255,898
	<u>273,365</u>	<u>415,697</u>	<u>69,455</u>	<u>758,517</u>
Total Cash Disbursements	<u>273,365</u>	<u>415,697</u>	<u>69,455</u>	<u>758,517</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>30,259</u>	<u>(147,530)</u>	<u>(2,809)</u>	<u>(120,080)</u>
Other Financing Receipts and (Disbursements):				
Sale of Bonds or Notes		169,543		169,543
Sale of Fixed Assets		3,000		3,000
Transfers-In	18,180	47,222		65,402
Transfers-Out	(35,000)	(30,402)	(163)	(65,565)
	<u>(16,820)</u>	<u>189,363</u>	<u>(163)</u>	<u>172,380</u>
Total Other Financing Receipts/(Disbursements)	<u>(16,820)</u>	<u>189,363</u>	<u>(163)</u>	<u>172,380</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	13,439	41,833	(2,972)	52,300
Fund Cash Balances, January 1	<u>92,699</u>	<u>72,281</u>	<u>2,972</u>	<u>167,952</u>
Fund Cash Balances, December 31	<u>\$106,138</u>	<u>\$114,114</u>	<u>\$0</u>	<u>\$220,252</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
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$388,412
Total Operating Cash Receipts	388,412
Operating Cash Disbursements:	
Personal Services	101,898
Fringe Benefits	51,372
Contractual Services	93,411
Supplies and Materials	160,839
Other	1,186
Capital Outlay	32,476
Total Operating Cash Disbursements	441,182
Operating (Loss)	(52,770)
Non-Operating Cash Receipts:	
Miscellaneous Receipts	314
Total Non-Operating Cash Receipts	314
Non-Operating Cash Disbursements:	
Redemption of Debt Service Principal	36,829
Interest and Other Fiscal Charges	10,963
Total Non-Operating Cash Disbursements	47,792
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(100,248)
Transfers-In	163
Net Receipts (Under) Disbursements	(100,085)
Fund Cash Balances, January 1	317,720
Fund Cash Balances, December 31	\$217,635

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, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Powhatan Point, Belmont County (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, fire and emergency medical services, and police services. The Village contracts with Switzerland Township, York Township and the Belmont County Commissioner's to provide fire protection and/or emergency medical services to these subdivisions. 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values U.S. Treasury Notes 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds 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:

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Fire and Emergency Fund -This fund receives property tax, fire and emergency contract, and emergency medical service revenues to operate the Village's volunteer fire department and emergency squad.

Federal Emergency Management Agency (FEMA) Fund -This fund receives grants to fund snow removal expenses and repair and replacement of various Village fixed assets damaged by land slides and flooding.

3. Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Issue II Fund - This fund receives Issue II grants through the Ohio Public Works Commission for the replacement of waterlines, sidewalks and asphalt shoulders.

4. Enterprise Funds

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

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

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. Village 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.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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.

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$145,027	\$97,887
Savings account	185,000	250,000
Total deposits	330,027	347,887
 U.S. Treasury Notes	 90,000	 90,000
Total deposits and investments	\$420,027	\$437,887

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

Investments: The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, 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, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003, follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$350,000	\$302,159	(\$47,841)
Special Revenue	562,000	515,640	(46,360)
Capital Projects	250,000	0	(250,000)
Enterprise	471,000	468,672	(2,328)
Total	<u>\$1,633,000</u>	<u>\$1,286,471</u>	<u>(\$346,529)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$420,000	\$283,095	\$136,905
Special Revenue	645,000	542,674	102,326
Capital Projects	250,000	0	250,000
Enterprise	655,000	478,562	176,438
Total	<u>\$1,970,000</u>	<u>\$1,304,331</u>	<u>\$665,669</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$350,000	\$321,804	(\$28,196)
Special Revenue	480,800	487,932	7,132
Capital Projects	70,000	66,646	(3,354)
Enterprise	451,000	388,889	(62,111)
Total	<u>\$1,351,800</u>	<u>\$1,265,271</u>	<u>(\$86,529)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$412,200	\$308,365	\$103,835
Special Revenue	528,250	446,099	82,151
Capital Projects	70,000	69,618	382
Enterprise	656,050	488,974	167,076
Total	<u>\$1,666,500</u>	<u>\$1,313,056</u>	<u>\$353,444</u>

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

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.

6. DEBT

Debt outstanding at December 31, 2004, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$45,248	10.84%
General Obligation Notes	275,409	3.15% - 4.9%
Total	<u>\$320,657</u>	

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. On May 29, 2003, the OWDA Board authorized an Interest Rate Subsidy program. This program will benefit the Village, as the Village has an outstanding interest rate on this loan in excess of 7 percent. Under the program, the OWDA will effectively reduce the interest rate on the outstanding balance of this loan to 7 percent by paying a portion of the interest above 7 percent. Implementation of the subsidy program commenced with the payment due January 1, 2004 and will carry through to the maturity date of the loan. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT (Continued)

The general obligation notes were issued to purchase a fire truck, street department truck and an ambulance. The loans will be repaid in monthly and annual installments, including interest, over three to ten years. The general obligation notes are collateralized by the Village's taxing authority.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>General Obligation Notes</u>
2005	\$48,414	\$70,221
2006		63,970
2007		61,888
2008		61,230
2009		28,740
2010		28,740
Total	<u>\$48,414</u>	<u>\$314,789</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees and most Village officials belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

One employee and one official contribute to Social Security. This plan provides retirement benefits, including survivors and disability benefits, to participants. For 2004, employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participant's gross salaries.

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.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, 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 Corporation.

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 in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000, up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	(16,989,918)	(12,872,985)
Retained earnings	\$13,557,131	\$12,415,113

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	(544,771)	(792,061)
Retained earnings	\$3,108,199	\$2,366,752

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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 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. Bel-O-Mar Regional Council received \$488 for 2004 annual fees paid in 2003 from the Village.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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 financial statements of the Village of Powhatan Point, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 12, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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 management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2004-003.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated August 12, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2004-001 and 2004-002. In a separate letter to the Village's management dated August 12, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

August 12, 2005

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Finding for Recovery – Repaid Under Audit

Ohio Rev. Code Section 2949.091(A)(1) states that the court in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. All such moneys collected during a month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state and deposited by the treasurer of state into the general revenue fund.

Prior to September 26, 2003, the court costs noted above were \$11; however, they were raised to \$15 as a result of House Bill 95.

From September 26, 2003 through October 31, 2003, the Mayor's Court of the Village issued 36 tickets for which they only collected the \$11 fee. On October 21, 2003, Village Council passed Ordinance No. 1069 increasing fines by \$4 to cover the increase mandated by House Bill 95. As of November 1, 2003, the Village started assessing the additional \$4 on the types of violations noted in Ohio Rev. Code Section 2949.091(A)(1).

Based on the change House Bill 95 made to Ohio Rev. Code Section 2949.091(A)(1), the Mayor's Court should have collected an additional \$144 that is due to the State of Ohio to be deposited by the Treasurer of State into the General Revenue Fund.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money due but not collected is hereby issued against William Anthony Pratt, former Mayor of the Village of Powhatan Point, in the amount of one hundred forty-four dollars (\$144), and in favor of the State of Ohio General Revenue Fund.

On July 19, 2005, the Village passed a motion to pay the State of Ohio the \$144 for Mayor's Court tickets issued from September 26, 2003 through November 1, 2003. On August 16, 2005, warrant number 4485 was issued to the Treasurer of State in the amount of \$144 from the Village's General Fund.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in Ohio Rev. Code Section 5705.41(D) (1) and 5705.41 (D) (3), respectively:

VILLAGE OF POWHATAN POINT
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)

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

FINDING NUMBER 2004-002
(Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1) (Continued)

- A. Then and Now Certificate - If the fiscal officer can certify that both at the time the contract or order was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
- B. Blanket Certificate – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
- C. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

Although the obligations paid by the Village had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of an appropriate fund, and free from any previous encumbrance, this certification of available funds was not obtained prior to incurring the obligation for 28 percent of transactions tested and there was no evidence of a “Then and Now” certificate being used by the Village Clerk/Treasurer. Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Village Clerk/Treasurer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

**FINDING NUMBER 2004-002
(Continued)**

Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1) (Continued)

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Village Clerk/Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Village Clerk/Treasurer should post approved purchase commitments to the appropriation code, to reduce the available appropriation.

FINDING NUMBER 2004-003

Reportable Condition

Ohio Admin. Code Section 117-2-02(C)(1) requires the government's internal controls to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Village Clerk/Treasurer did not accurately post estimated revenue and appropriations into the accounting system. Due to the fact that the budgeted information posted into the accounting system was not always correct, Village management was unable to effectively monitor budget versus actual activity.

We recommend the Village Clerk/Treasurer accurately post estimated revenue as certified by the County Budget Commission and appropriations as approved by Village Council into the computer system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-31007-001	Ohio Rev. Code Section 5705.14 prohibits fund transfers without a resolution of the Village Council.	No	Not corrected; however, no longer deemed material. We reported this in the management letter.
2002-31007-002	Ohio Rev. Code Section 5705.36 for not obtaining increased amended certificates.	Yes	N/A.
2002-31007-003	Ohio Rev. Code Section 5705.39 for appropriations exceeding total estimated resources.	No	Not corrected; however no longer deemed material. We reported this in the management letter.
2002-31007-004	Ohio Rev. Code Section 5705.41 (B) for expenditures exceeding amounts appropriated.	Yes	N/A.
2002-31007-005	Not always posting receipts to the correct line item classification.	Yes	N/A.
2002-31007-006	Not always accurately posting budgeted amounts in the Village computer system.	No	Not corrected; Reissued as Finding Number 2004-003.
2002-31007-007	Village Council did not approve advances through formal resolution or ordinance.	Yes	N/A.



**Auditor of State
Betty Montgomery**

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**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
SEPTEMBER 20, 2005**