

**VILLAGE OF BELMONT  
BELMONT COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Belmont  
P.O. Box 68  
Belmont, Ohio 43718

We have reviewed the *Independent Accountants' Report* of the Village of Belmont, Belmont County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Belmont is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

February 22, 2008

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VILLAGE OF BELMONT  
BELMONT COUNTY

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# KNOX & KNOX

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Accountants and Consultants

## Independent Accountants' Report

Village of Belmont  
Belmont County  
P.O. Box 68  
Belmont, Ohio 43718

To the Village Council:

We have audited the accompanying financial statements of the Village of Belmont, Belmont County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. 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, if any, 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 described more fully in Note 1, the Village has prepared its 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 accounting principles generally accepted in the United States of America, 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 years ended December 31, 2006 and 2005. In addition to the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial position and cash flows for the years 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 Belmont, Belmont County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 October 29, 2007, 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 do not opine on the internal control over financial reporting or on compliance, that reports 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 *Governmental Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

***Knox & Knox***

Orrville, Ohio  
October 29, 2007



VILLAGE OF BELMONT  
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, 2006

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Permanent	
<b>CASH RECEIPTS:</b>					
Property and Other Local Taxes	\$24,758	\$17,150	\$7,453		\$49,361
Intergovernmental Receipts	41,307	32,281			73,588
Charges for Services	70,345				70,345
Licenses, Permits, and Fees	4,882	9,648			14,530
Earnings on Investments	4,148	285		\$403	4,836
Miscellaneous		50			50
<b>Total Cash Receipts</b>	<b>145,440</b>	<b>59,414</b>	<b>7,453</b>	<b>403</b>	<b>212,710</b>
<b>CASH DISBURSEMENTS:</b>					
<b>Current:</b>					
Security of Persons & Property	55,474	13,636			69,110
Public Health Services	5,200	3,004			8,204
Leisure Time Activities	38,799				38,799
Transportation		28,584			28,584
General Government	37,328	354			37,682
<b>Debt Service:</b>					
Principal Payment			8,603		8,603
Interest Payments			344		344
Capital Outlay		31,274			31,274
<b>Total Cash Disbursements</b>	<b>136,801</b>	<b>76,852</b>	<b>8,947</b>		<b>222,600</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>8,639</b>	<b>(17,438)</b>	<b>(1,494)</b>	<b>403</b>	<b>(9,890)</b>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS)</b>					
Other Sources (Uses)	7,289			608	7,897
Transfers-In		7,448	4,547		11,995
Transfers-Out	(11,995)				(11,995)
<b>Total Other Financing Receipts(Disbursements)</b>	<b>(4,706)</b>	<b>7,448</b>	<b>4,547</b>	<b>608</b>	<b>7,897</b>
<b>Excess of Cash Receipts and Other Financing Receipts Receipts Over/(Under) Disbursements and Other Financing Disbursements</b>					
	3,933	(9,990)	3,053	1,011	(1,993)
<b>Fund Cash Balances, January 1</b>	<b>121,473</b>	<b>113,261</b>	<b>109</b>	<b>39,315</b>	<b>274,158</b>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b>\$125,406</b>	<b>\$103,271</b>	<b>\$3,162</b>	<b>\$40,326</b>	<b>\$272,165</b>

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

VILLAGE OF BELMONT  
 BELMONT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
 FUND CASH BALANCES - PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING CASH RECEIPTS:	
Charges for Services	<u>\$65,050</u>
Total Operating Cash Receipts	<u>65,050</u>
OPERATING CASH DISBURSEMENTS:	
Personal Services	11,189
Employee Fringe Benefits	105
Contractual Services	55,760
Supplies and Materials	<u>7,387</u>
Total Operating Cash Disbursements	<u>74,441</u>
Operating Income (Loss)	<u>(9,391)</u>
Fund Cash Balances, January 1	<u>147,382</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$137,991</u></u>

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

VILLAGE OF BELMONT  
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, 2005

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Permanent	
<b>CASH RECEIPTS:</b>					
Property and Other Local Taxes	\$25,606	\$15,328	\$4,718		\$45,652
Special Assessments	17,544				17,544
Intergovernmental Receipts	41,040	23,575			64,615
Charges for Services	67,273	12,408			79,681
Licenses, Permits, and Fees	4,416				4,416
Earnings on Investments	2,233	334		\$402	2,969
Miscellaneous	241	200			441
	<b>158,353</b>	<b>51,845</b>	<b>4,718</b>	<b>402</b>	<b>215,318</b>
<b>CASH DISBURSEMENTS:</b>					
Current:					
Security of Persons & Property	81,139	14,153			95,292
Public Health Services	1,860	5,850		1,318	9,028
Leisure Time Activities	27,695				27,695
Transportation		42,009			42,009
General Government	46,419				46,419
Debt Service:					
Principal Payment			15,356		15,356
Interest Payments			1,559		1,559
Capital Outlay		9,555			9,555
	<b>157,113</b>	<b>71,567</b>	<b>16,915</b>	<b>1,318</b>	<b>246,913</b>
Total Cash Receipts Over/(Under) Cash Disbursements	1,240	(19,722)	(12,197)	(916)	(31,595)
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS)</b>					
Transfers-In		14,140	11,220		25,360
Transfers-Out	(18,220)	(7,140)			(25,360)
Other Financing Sources	129				129
	<b>(18,091)</b>	<b>7,000</b>	<b>11,220</b>		<b>129</b>
Excess of Cash Receipts and Other Financing Receipts Receipts Over/(Under) Disbursements and Other Financing Disbursements	(16,851)	(12,722)	(977)	(916)	(31,466)
Fund Cash Balances, January 1	138,324	125,983	1,086	40,231	305,624
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b>\$121,473</b>	<b>\$113,261</b>	<b>\$109</b>	<b>\$39,315</b>	<b>\$274,158</b>

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

VILLAGE OF BELMONT  
BELMONT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>OPERATING CASH RECEIPTS:</b>	
Charges for Services	<u>\$64,090</u>
Total Operating Cash Receipts	<u>64,090</u>
<b>OPERATING CASH DISBURSEMENTS:</b>	
Personal Services	9,503
Employee Fringe Benefits	957
Contractual Services	38,948
Supplies and Materials	<u>4,957</u>
Total Operating Cash Disbursements	<u>54,365</u>
Operating Income (Loss)	<u>9,725</u>
<b>NONOPERATING CASH RECEIPTS:</b>	
Other Non-Operating Cash Receipts	<u>140</u>
Total Non-Operating Cash Receipts	<u>140</u>
<b>NONOPERATING CASH DISBURSEMENTS:</b>	
Capital Outlay	<u>(4,990)</u>
Total Non-Operating Cash Disbursements	<u>(4,990)</u>
Net Cash Receipts (Under) Cash Disbursements	4,875
Fund Cash Balances, January 1	<u>142,507</u>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<u><u>\$147,382</u></u>

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

VILLAGE OF BELMONT  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

The Village of Belmont, Belmont County, (the Village) is a body of 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 utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

The Village values certificates of deposit 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. Special revenue funds are as follows:

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

VILLAGE OF BELMONT  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Fund Accounting (continued)

2. Special Revenue Funds (continued)

*Police Levy Fund* - This fund receives government assessed taxes to provide police services

*Fire Levy Fund* - This fund receives government assessed taxes to provide equipment for the Village volunteer fire department..

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village has the following significant Debt Service Fund:

*Tanker Debt Service Fund* - This fund receives property tax money to pay principal and interest on a promissory note issued by the Village for the purchase of a tanker truck for the Village's volunteer fire department.

4. Enterprise Funds

These funds are used to account for resources 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 has the following significant Enterprise Fund:

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

5. Permanent Funds

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Villages classifies the fund as a permanent fund. The Village has the following significant Permanent Fund:

*Perkins Belmont Cemetery Trust Fund* - This nonexpendable trust fund receives interest from a certificate of deposit with the interest to be used for mowing and trimming grass, tree removal, and maintaining the Perkins family grave plot.

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 department, function or object level of, 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.

VILLAGE OF BELMONT  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay 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 payment 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:

	<u>2006</u>	<u>2005</u>
Demand deposits	\$235,956	\$247,340
Certificates of deposit	<u>174,200</u>	<u>174,200</u>
Total deposits	<u><u>410,156</u></u>	<u><u>421,540</u></u>

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

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

VILLAGE OF BELMONT  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

3. **BUDGETARY ACTIVITY** (Continued)

2006 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$135,219	\$152,729	\$17,510
Special Revenue	46,774	66,862	20,088
Debt Service	9,000	12,000	3,000
Enterprise	20,703	65,050	44,347
Permanent		1,011	1,011
Total	<u>\$211,696</u>	<u>\$297,652</u>	<u>\$85,956</u>

2006 Budgeted vs Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$251,750	\$148,796	\$102,954
Special Revenue	164,203	76,852	87,351
Debt Service	9,000	8,947	53
Enterprise	166,250	74,441	91,809
Total	<u>\$591,203</u>	<u>\$309,036</u>	<u>\$282,167</u>

2005 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$135,029	\$158,482	\$23,453
Special Revenue	52,632	65,985	13,353
Debt Service	12,534	15,938	3,404
Enterprise	20,100	64,230	44,130
Permanent		402	402
Total	<u>\$220,295</u>	<u>\$305,037</u>	<u>\$84,742</u>

2005 Budgeted vs Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$258,536	\$175,333	\$83,203
Special Revenue	139,000	78,707	60,293
Debt Service	28,100	16,915	11,185
Enterprise	198,950	59,355	139,595
Permanent	1,600	1,318	282
Total	<u>\$626,186</u>	<u>\$331,628</u>	<u>\$294,558</u>

Contrary to Ohio law, appropriations exceeded estimated resources in the Debt Service and Enterprise Fund Types for the year ended December 31, 2005.



VILLAGE OF BELMONT  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

4. **PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 is due the following June 20.

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. **DEBT**

Debt outstanding as of December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Promissory Note-Ambulance	29,611	5.04%
Promissory Note-Tanker Truck	<u>86,512</u>	3.50%
	<u><u>\$116,123</u></u>	

The Promissory Note-Ambulance relates to the purchase of a new ambulance for the emergency squad. This loan, issued in 2003 for \$56,010 is to be paid over a 10 year period, will be repaid in monthly installments of \$595. The ambulance is pledged as collateral.

The Promissory Note-Tanker Truck relates to the purchase of a new tanker truck for the Village Fire Department. This loan, issued in 2002 for \$132,840 is to be paid over a 15 year period, will be repaid in semiannual installments of \$4,428, at a fixed rate of 3.5% interest rate for the first three years then fluctuating annually at 70% of the bank's prime rate, The Village assumes that the future interest rate after the three year period will be 3.5% and has been used to calculate future interest payments. The fire truck is pledged as collateral along with the Village's taxing authority.

Amortization of the above debt follows:

Year ending December 31:	Promissory Note-Ambulance		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$5,782	\$1,360	\$7,142
2008	6,080	1,062	7,142
2009	6,394	748	7,142
2010	6,724	418	7,142
2011	4,631	87	4,718
	<u><u>\$29,611</u></u>	<u><u>\$3,675</u></u>	<u><u>\$33,286</u></u>

VILLAGE OF BELMONT  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

5. **DEBT** (continued)

Year ending December 31:	Promissory Note-Tanker Truck		
	Principal	Interest	Total
2007	\$8,239	\$5,050	\$13,289
2008	8,321	4,968	13,289
2009	8,403	4,886	13,289
2010	8,485	4,804	13,289
2011	8,651	4,638	13,289
2012-2016	44,413	22,032	66,445
	<u>\$86,512</u>	<u>\$46,378</u>	<u>\$132,890</u>

The Village has made payments on principal in addition to required payments in prior periods. The above schedule assumes payments will be made as scheduled

6. **RETIREMENT SYSTEMS**

Certain elected officials, law enforcement officers, and other employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a 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.

For 2006 and 2005 OPERS participants contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

7. **RISK MANAGEMENT**

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American 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 member's deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

VILLAGE OF BELMONT  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

7. **RISK MANAGEMENT** (continued)

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	(15,875,741)	(15,994,168)
Retained Earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	(863,163)	(1,068,245)
Retained Earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively.

VILLAGE OF BELMONT  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

7. **RISK MANAGEMENT** (continued)

These amounts will be included in future contributions from members when the related claims are due for payment. This payable includes the subsequent year's contribution until the Government terminates participation, as described in the last paragraph below.

Based on the discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. **CONTINGENT LIABILITIES**

Amount 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.

9. **RELATED PARTY**

The Village purchases items from a retail store owned by an elected official.

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# KNOX & KNOX

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Accountants and Consultants

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

Village of Belmont  
Belmont County  
P.O. Box 68  
Belmont, Ohio 43718

To the Village Council:

We have audited the accompanying financial statements of the Village of Belmont, Belmont County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 29, 2007, 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 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic 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 no instances of noncompliance that we must report under *Government Auditing Standards*.

We noted a certain noncompliance that we reported to the Village's management in a separate letter dated October 29, 2007.

We intend this report solely for the information and use of the audit committee, management and Village Council. We intend it for no one other than these specified parties.

*KNOX & KNOX*

Orrville, Ohio  
October 29, 2007

VILLAGE OF BELMONT  
 BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
 FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-01	Ohio Revised Code Section 5705.41(D), funds were not certified.	YES	Finding is no longer valid.
2004-002	Ohio Revised Code Section 5705.39, appropriations exceeded estimated resources	NO	Repeated in the Management Letter





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF BELMONT**

**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  
MARCH 6, 2008**