

Village of Beloit

Financial Condition

As of

December 31, 2009 and 2010

Together with Auditor's Report



Dave Yost • Auditor of State

Board of Trustees
Village of Beloit
17893 5th Street
P.O. Box 276
Beloit, Ohio 44609

We have reviewed the *Independent Auditor's Report* of the Village of Beloit, Mahoning County, prepared by Kevin L. Penn, Inc., for the audit period January 1, 2009 through December 31, 2010. 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 Auditor's 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 Auditor's 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 Beloit is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 22, 2011

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VILLAGE OF BELOIT
TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009	3
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances – Enterprise Funds - For the Year Ended December 31, 2009	4
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	5
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances – Enterprise Funds - For the Year Ended December 31, 2010	6
Notes to Financial Statements	7
Independent Auditor's Report on Internal Control over Financial Reporting And on Compliance and Other Matters Required by Government Auditing Standards	13
Schedule of Findings	15
Schedule of Prior Audit Findings	17

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Kevin L.
Penn, Inc.

Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax: (216)421-1001
Email: klpenncpa@aol.com

Independent Auditor's Report

Village of Beloit
Mahoning County
13404 Church Street, Box 301
Beloit, Ohio 44609

I have audited the accompanying financial statements of the Village of Beloit (the Village), as of and for the year ended December 31, 2009 and 2010. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audit.

I 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed 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. Although I 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, I 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, 2009 and 2010. Instead of the combined funds the accompanying financial statements present for 2009 and 2010, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2009 and 2010. 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 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 the Village does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. My opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In my opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above 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, 2009 and 2010, or its changes in financial position for the year then ended.

Also, in my opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Beloit, Mahoning County, Ohio, as of December 31, 2009 and 2010 and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

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, 2009 and 2010. 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, I have also issued my report dated June 7, 2011, on my consideration of the Village's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my testing of internal controls over financial reporting and compliance and the results of testing. It does not opine on the internal control over financial reporting or on compliance. 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 assessing the results of my audit.

Kevin L. Penn, Inc.

June 7, 2011

Village of Beloit
Mahoning County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2009

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Local Taxes	\$ 48,170	\$ 70,349	\$ 118,519
Intergovernmental	16,993	60,424	77,417
Charges for Services		87,028	87,028
Earnings on Investments	1,438	70	1,508
Other Revenue	19,269	51,756	71,025
Total Cash Receipts	85,870	269,627	355,497
Cash Disbursements:			
Current:			
General Government	113,881		113,881
Security of Persons & Property	18,266	186,281	204,547
Public Health Service	2,436		2,436
Community Environment		3,560	3,560
Transportation		106,259	106,259
Capital Outlay		33,842	33,842
Total Cash Disbursements	134,583	329,942	464,525
Total Receipts Over/(Under) Disbursements	(48,713)	(60,315)	(109,028)
Other Financing Receipts/(Disbursements)			
Transfers-In		835	835
Transfers-Out	(5,027)		(5,027)
Total Other Financing Receipts/(Disbursements)	(5,027)	835	(4,192)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(53,740)	(59,480)	(113,220)
Fund Cash Balance - January 1, 2009	106,073	574,244	680,317
Fund Cash Balance - December 31, 2009	\$ 52,333	\$ 514,764	\$ 567,097
Reserves for Encumbrances, December 31, 2009	\$ -	\$ -	\$ -

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

Village of Beloit
Mahoning County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances - Enterprise Funds
For the Year Ended December 31, 2009

Operating Cash Receipts	
Charges for Services	\$ 130,759
Total Operating Cash Receipts	<u>130,759</u>
Operating Cash Disbursements:	
Personal Services	7,844
Employee Fringe Benefits	1,190
Contractual Services	102,324
Supplies and Materials	1,139
Other	7,634
Total Operating Cash Disbursements	<u>120,131</u>
Operating Income	<u>10,628</u>
Non-Operating Cash Receipts	
Other Non-Operating Cash Receipts	<u>923</u>
Total Non-Operating Cash Receipts	<u>923</u>
Non-Operating Cash Disbursements	
Debt Service - Principal	19,000
Debt Service - Interest and Fiscal Charges	1,707
Capital Outlay	2,224
Total Non-Operating Cash Disbursements	<u>22,931</u>
Excess of Receipts Under Disbursements	
Before Interfund Transfers and Advances	(11,380)
Transfers-In	4,192
Transfers-Out	-
Net Disbursements Over Receipts	<u>(7,188)</u>
Fund Cash Balance - January 1, 2009	279,099
Fund Cash Balance - December 31, 2009	<u>\$ 271,911</u>
Reserves for Encumbrances, December 31, 2009	<u>\$ -</u>

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

Village of Beloit
Mahoning County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2010

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Local Taxes	\$ 48,556	\$ 118,243	\$ 166,799
Intergovernmental	7,517	64,034	71,551
Charges for Services		100,330	100,330
Fines, Licenses and Permits	13,442		13,442
Earnings on Investments	724	20	744
Other Revenue	42,763	59,862	102,625
Total Cash Receipts	113,002	342,489	455,491
Cash Disbursements:			
Current:			
General Government	91,121		91,121
Security of Persons & Property	17,092	138,881	155,973
Public Health Service	2,998		2,998
Leisure Time Activities		1,145	1,145
Community Environment		3,010	3,010
Transportation		244,563	244,563
Capital Outlay		40,000	40,000
Total Cash Disbursements	111,211	427,599	538,810
Total Receipts Over/(Under) Disbursements	1,791	(85,110)	(83,319)
Other Financing Receipts/(Disbursements)			
Transfers-In		2,053	2,053
Transfers-Out	(2,387)		(2,387)
Total Other Financing Receipts/(Disbursements)	(2,387)	2,053	(334)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(596)	(83,057)	(83,653)
Fund Cash Balance - January 1, 2010	52,333	514,764	567,097
Fund Cash Balance - December 31, 2010	\$ 51,737	\$ 431,707	\$ 483,444
Reserves for Encumbrances, December 31, 2010	\$ -	\$ -	\$ -

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

Village of Beloit
Mahoning County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances - Enterprise Funds
For the Year Ended December 31, 2010

Operating Cash Receipts	
Charges for Services	\$ 157,538
Total Operating Cash Receipts	<u>157,538</u>
Operating Cash Disbursements:	
Personal Services	7,637
Employee Fringe Benefits	1,168
Contractual Services	107,948
Supplies and Materials	11,291
Other	2,347
Total Operating Cash Disbursements	<u>130,391</u>
Operating Income	<u>27,147</u>
Non-Operating Cash Receipts	
Other Non-Operating Cash Receipts	24
Total Non-Operating Cash Receipts	<u>24</u>
Non-Operating Cash Disbursements	
Debt Service - Principal	21,000
Debt Service - Interest and Fiscal Charges	359
Capital Outlay	-
Total Non-Operating Cash Disbursements	<u>21,359</u>
Excess of Receipts Under Disbursements	
Before Interfund Transfers and Advances	5,812
Transfers-In	334
Transfers-Out	-
Net Disbursements Over Receipts	<u>6,146</u>
Fund Cash Balance - January 1, 2010	271,911
Fund Cash Balance - December 31, 2010	<u>\$ 278,057</u>
Reserves for Encumbrances, December 31, 2010	<u>\$ -</u>

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

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Beloit, Mahoning County, (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 general government services, including sewer, EMT and fire services.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criteria was considered in determining the reporting entity. The Village has no component units.

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. A general fixed asset group and long-term debt group of accounts are not recorded on the financial statements by the Village under the basis of accounting used. This method of accounting is utilized in reporting to the State of Ohio but is not in accordance with generally accepted accounting principles. 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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Interest earned is recognized and recorded when received.

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

D. Fund Accounting

The Village maintains its accounting records in accordance with the principles of “Fund” accounting. Fund accounting is a concept developed to meet the need of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

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 Fund

To account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax monies from the State of Ohio for construction and repair of Village streets.

Police Levy Fund - This fund receives tax monies from a voted levy for police protection.

Proprietary Funds

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

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

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

E. Budgetary Process

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

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

2. Appropriations

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

3. Estimated Resources

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

4. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2010 and 2009 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.

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

H. Total Columns of Financial Statements

Amounts in the "Totals (Memorandum Only)" columns of the financial statements represent a summation of the financial statements line items of the fund types and account groups. These amounts are presented for analytical purposes only. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2010	2009
Demand deposits	\$500,865	\$504,277
Total deposits	500,865	504,277
U.S. Treasury Notes		
Repurchase agreement	260,636	334,732
Total investments	260,636	334,732
Total deposits and investments	\$761,501	\$839,009

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2009 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 179,854	\$ 85,870	\$ 93,984
Special Revenue	768,879	270,462	498,417
Enterprise	367,000	135,874	231,126
Total	\$ 1,315,733	\$ 492,206	\$ 823,527

2009 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 159,192	\$ 139,610	\$ 19,582
Special Revenue	424,700	329,942	94,758
Enterprise	195,450	143,062	52,388
Total	\$ 779,342	\$ 612,614	\$ 166,728

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows: (continued)

2010 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 153,278	\$ 113,002	\$ 40,276
Special Revenue	740,487	344,542	395,945
Enterprise	396,912	157,896	239,016
Total	<u>\$ 1,290,677</u>	<u>\$ 615,440</u>	<u>\$ 675,237</u>

2010 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 149,570	\$ 113,598	\$ 35,972
Special Revenue	539,600	427,599	112,001
Enterprise	202,700	151,750	50,950
Total	<u>\$ 891,870</u>	<u>\$ 692,947</u>	<u>\$ 198,923</u>

4. PROPERTY TAX

Real property taxes become a lien on all non-exempt real property located in the county January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permit later payment dates to be established. Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of costs.

	<u>2009</u>	<u>2010</u>
Real Property:		
Residential and Agricultural	\$ 6,351,200	\$ 6,352,240
Commercial/Industrial/Mineral	1,815,040	1,920,330
Public Utilities	10,600	11,820
Tangible Personal Property:		
Public Utilities	<u>368,900</u>	<u>244,910</u>
Total Valuation	<u>\$ 8,545,740</u>	<u>\$ 8,529,300</u>

The Mahoning County Treasurer collects property tax of behalf of all taxing districts within the county. The Mahoning County Auditor periodically remits to the taxing districts their portions of the taxes collected.

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

(Continued)

5. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

6. RISK MANAGEMENT

Commercial Insurance

The Village is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During fiscal year 2009 and 2010, the Village contracted with private carriers for property and fleet insurance for the following:

- Blanket Building and Personal Property - Vehicles
- Boiler and Machinery
- General Liability
- Public Officials Liability
- Employee Benefits Liability

Settled claims have not exceeded the commercial coverage in any of the past three years.

7. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.



Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Village of Beloit
Mahoning County
13404 Church Street, Box 301
Beloit, Ohio 44609

I have audited the financial statements of Village of Beloit as of and for the year ended December 31, 2009 and 2010, and have issued my report thereon dated June 7, 2011. I conducted my audit in accordance with generally accepted auditing standards 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. My report on the financial statements disclosed that, as described in Note 1 to the financial statements, the Village prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of Ohio, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Village of Beloit's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Beloit's internal control over financial reporting. Accordingly, I do not express an opinion on the effective ness of the Village of Beloit's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village of Beloit's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that I consider to be significant deficiencies in internal control over financial reporting. 2010-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Beloit's 's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that I reported to management of Village of Beloit in a separate letter dated June 7, 2011.

The Village of Beloit's response to the finding identified in my audit is described in the accompanying schedule of findings. I did not audit the Village of Beloit's response and, accordingly, I express no opinion on it.

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

Kevin L. Penn, Inc.

June 7, 2011

Village of Beloit
Mahoning County

Schedule of Findings
December 31, 2009 and 2010

Finding Related to the Financial Statements
Required to be Reported in Accordance with GAGAS

2010-1

Separation of Duties

Condition:

The Fiscal Officer, signs and issues checks; receives and makes deposits, and reconciles the bank accounts. The basic premise is that no one individual should have access to both physical assets the related accounting records or to various phases of a transaction. One of the most critical areas of separation is cash, where I noted that there is not proper separation of duties, pertaining to the handling incoming checks; preparation of the deposit slips; and the reviewing of the monthly bank accounts.

Criteria:

The following functions should be performed by individuals/board member who are totally independent:

- Issuing and signing checks
- Maintaining the accounting records
- Reviewing the bank statements
- Performing bank reconciliations
- Maintaining vendor statements and invoices

Effect:

Resulted in inadequate separation of duties.

Cause:

As a result of the number of staff employed by the Village, there is a limit to the extent of separation of duties.

Recommendation:

In order to improve internal controls, I recommend that a board member performs the following functions: 1) signs the checks; 2) reviews invoices before disbursements are made, and 3) receives the bank statements directly from the bank so they can be reviewed prior to the Fiscal Officer's performance of the bank reconciliation. By performing these procedures, the risk of an inadequate segregation of duties over cash transactions will be significant reduced.

Village of Beloit
Mahoning County

Schedule of Findings
December 31, 2009 and 2010

Finding Related to the Financial Statements
Required to be Reported in Accordance with GAGAS

Auditee's Response:

The Village will add members of the Finance Committee as additional authorized signers for checks that are written by the Village.

Village of Beloit
Mahoning County

Schedule of Prior Audit Findings
December 31, 2009 and 2010

2009-1

Recommendation:

In order to improve internal controls, I recommend that a board member performs the following functions: 1) signs the checks; 2) reviews invoices before disbursements are made, and 3) receives the bank statements directly from the bank so they can be reviewed prior to the Fiscal Officer's performance of the bank reconciliation. By performing these procedures, the risk of an inadequate segregation of duties over cash transactions will be significant reduced.

Auditee's Response:

The Village will add members of the Finance Committee as additional authorized signers for checks that are written by the Village.

Current Status:

The finding will be repeated in the 2010 audit.

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Dave Yost • Auditor of State

VILLAGE OF BELOIT

MAHONING 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
AUGUST 4, 2011