

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO**

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Village of Belmont, Belmont County, prepared by Charles E. Harris & Associates, 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Adjustment

Ohio Rev. Code Section 733.28 provides, in part, that the village clerk shall keep the books of the village and exhibit accurate statements of all moneys received and expended.

Pursuant to Ohio Administrative Code Section 117-2-02(A), all local public offices must maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. This process involves accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. The Village did not resolve various differences between the adjusted bank balance and the cash balance reflected in the Village's accounting records. These differences were the result of various recording errors, omissions and incorrect recording of certificates of deposit. The book balance was overstated by \$24,856 at December 31, 2009 and understated by \$30,586 at December 31, 2010. The financial statements and the Village's records have not been adjusted.

Had the posting errors noted in the preceding paragraph been properly posted to the accounting system, the General Fund cash fund balance would have decreased by \$24,856 at December 31, 2009 and increased by \$30,586 at December 31, 2010.

Village Council
Village of Belmont
P.O. Box 68 Belmont, Ohio 43718
Page -2-

A finding for adjustment is issued against the General Fund in the amount of \$24,856 for the year ended December 31, 2009 and in favor of the General Fund in the amount of \$30,586 for the year ended December 31, 2010.

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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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.



Dave Yost
Auditor of State

June 25, 2012

This page intentionally left blank.

VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2010 and 2009

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1-2
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	3
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2010	4
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009	5
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2009	6
Notes to the Financial Statements	7-14
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Required by <i>Government Auditing Standards</i>	15-16
Schedule of Findings	17-21
Schedule of Prior Audit Findings	22

REPORT OF INDEPENDENT ACCOUNTANTS

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 (Village), Belmont County, Ohio as of and for the years ended December 31, 2010 and 2009. 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.

Except as described below, 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because of the inadequacy of the accounting records, we were unable to obtain sufficient evidence regarding the individual fund balances and overall bank reconciliations for 2009 and 2010. Book balances were overstated by \$24,856 in 2009 and understated by \$30,586 in 2010. We were also unable to verify utilities revenues of \$52,407 out of \$170,291 for 2009 due to lack of supporting documentation. We were unable to satisfy ourselves by other auditing procedures.

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.

Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2010 and 2009. 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. 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, 2010 and 2009, 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, 2010 and 2009, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, because of the effects of the matter discussed in paragraph three above, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances of the Village of Belmont, Belmont County, as of December 31, 2010 and 2009. However, except for the utility collections discussed in paragraph three, the financial statements referred to above present fairly, in all material respects, its combined cash receipts and disbursements and changes in fund cash balances 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 years ended December 31, 2010 and 2009. 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 April 26, 2012, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.



Charles E. Harris & Associates, Inc.
April 26, 2012

VILLAGE OF BELMONT
BELMONT COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Permanent	
Cash Receipts:					
Property and Other Local Taxes	\$ 11,138	\$ 15,188	-	-	\$ 26,326
Intergovernmental	31,673	42,817	-	-	74,490
Charges of Services	12,778	53,289	-	-	66,067
Fines, Licenses & Permits	6,847	-	-	-	6,847
Earnings on Investments	2,463	32	-	-	2,495
Miscellaneous	3,360	-	-	-	3,360
Total Cash Receipts	68,259	111,326	-	-	179,585
Cash Disbursements:					
Current:					
Security of Persons & Property	\$ 5,412	\$ 50,596	-	-	\$ 56,008
Public Health Services	-	7,830	-	-	7,830
Leisure Time Activities	28,607	-	-	-	28,607
Basic Utility Service	4,179	-	-	-	4,179
Transportation	1,556	27,598	-	-	29,154
General Government	56,896	430	-	-	57,326
Debt Service:					
Principal Payment	-	12,041	\$ 1,179	-	13,220
Interest and Fiscal Charges	-	1,569	-	-	1,569
Total Cash Disbursements	96,650	100,064	1,179	-	197,893
Total Receipts Over/(Under) Disbursements	(28,391)	11,262	(1,179)	-	(18,308)
Other Financing Sources/(Uses):					
Transfers-In	-	18,333	-	-	18,333
Transfers-Out	(18,333)	-	-	-	(18,333)
Total Other Financing Sources/(Uses)	(18,333)	18,333	-	-	-
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	(46,724)	29,595	(1,179)	-	(18,308)
Fund Cash Balance, January 1	60,666	110,166	1,179	41,026	213,037
Fund Cash Balance, December 31	\$ 13,942	\$ 139,761	\$ -	\$ 41,026	\$ 194,729

See accompanying Notes to the Financial Statements.

VILLAGE OF BELMONT
BELMONT COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Proprietary Fund Types
	Enterprise Fund
Operating Cash Receipts:	
Charges for Services	\$ 150,854
Total Operating Cash Receipts	150,854
Operating Cash Disbursements:	
Personal Services	11,408
Employee Fringe Benefits	1,674
Contractual Services	64,678
Supplies & Materials	46,030
Total Operating Cash Disbursements	123,790
Operating Income/(Loss)	27,064
Non-Operating Cash Receipts/(Disbursements):	
Redemption of Principal	(8,356)
Interest and Other Fiscal Charges	(35,161)
Total Non-Operating Cash Receipts/(Disbursements)	(43,517)
Excess of Receipts Over Disbursements	(16,453)
Fund Cash Balance, January 1	184,666
Fund Cash Balance, December 31	\$ 168,213

See accompanying Notes to the Financial Statements.

VILLAGE OF BELMONT
BELMONT COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Permanent	
Cash Receipts:					
Property and Other Local Taxes	\$ 18,082	\$ 16,102	-	-	\$ 34,184
Intergovernmental	34,384	72,983	-	-	107,367
Charges of Services	69,513	6,886	-	-	76,399
Fines, Licenses & Permits	4,976	-	-	-	4,976
Earnings on Investments	3,787	131	-	-	3,918
Miscellaneous	2,280	1,630	-	-	3,910
Total Cash Receipts	133,022	97,732	-	-	230,754
Cash Disbursements:					
Current:					
Security of Persons & Property	\$ 81,439	\$ 22,970	-	-	\$ 104,409
Public Health Services	3,013	2,075	-	-	5,088
Leisure Time Activities	27,625	-	-	-	27,625
Basic Utility Service	842	-	-	-	842
Transportation	1,289	69,011	-	-	70,300
General Government	36,434	155	-	-	36,589
Debt Service:					
Principal Payment	3,745	19,543	\$ 8,860	-	32,148
Interest and Fiscal Charges	-	6,146	-	-	6,146
Total Cash Disbursements	154,387	119,900	8,860	-	283,147
Total Receipts Over/(Under) Disbursements	(21,365)	(22,168)	(8,860)	-	(52,393)
Other Financing Sources/(Uses):					
Sale of assets	13,000	-	-	-	13,000
Proceeds of Loans	-	14,573	-	-	14,573
Transfers-In	-	8,700	10,000	-	18,700
Transfers-Out	(18,700)	-	-	-	(18,700)
Other Financing Uses	83	-	-	-	83
Total Other Financing Sources/(Uses)	(5,617)	23,273	10,000	-	27,656
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	(26,982)	1,105	1,140	-	(24,737)
Fund Cash Balance, January 1	87,648	109,061	39	41,026	237,774
Fund Cash Balance, December 31	\$ 60,666	\$ 110,166	\$ 1,179	\$ 41,026	\$ 213,037

See accompanying Notes to the Financial Statements.

VILLAGE OF BELMONT
BELMONT COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Proprietary Fund Types
	Enterprise Fund
Operating Cash Receipts:	
Charges for Services	\$ 170,291
Total Operating Cash Receipts	170,291
Operating Cash Disbursements:	
Personal Services	12,846
Employee Fringe Benefits	1,402
Contractual Services	75,098
Supplies & Materials	26,950
Total Operating Cash Disbursements	116,296
Operating Income/(Loss)	53,995
Non-Operating Cash Receipts/(Disbursements):	
Proceeds of Loans	713,000
Intergovernmental	47,592
Other Financing Sources	200
Principal Retirement	(717,116)
Interest and Other Fiscal Charges	(49,543)
Total Non-Operating Cash Receipts/(Disbursements)	(5,867)
Excess of Receipts Over Disbursements	48,128
Fund Cash Balance, January 1	\$ 136,538
Fund Cash Balance, December 31	\$ 184,666

See accompanying Notes to the Financial Statements.

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Belmont, Belmont County (the Village) is a body corporate and politic established for the purpose of exercising 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 special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village has the following significant Special Revenue funds:

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

Police Levy Fund - This fund receives property taxes to provide police services.

VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

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

D. **FUND ACCOUNTING (continued)**

2. **Special Revenue Funds (continued):**

Fire Levy Fund - This fund receives property 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 received a transfer from the General Fund 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 Funds:

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

Sewer Fund - This fund receives charges for services from residents to cover sewer 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 Village 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 fund level of control and appropriations may not exceed estimated resources. Council must annually approve the appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

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 unencumbered 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 re-appropriated in the subsequent year.

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 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 payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and investment 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:

	2010	2009
Primary Checking Account	\$ 262,311	\$ 256,482
Savings	16,707	16,665
Repurchase agreement	14,810	-
Certificates of deposit	99,700	99,700
Total deposits and investments	\$ 393,528	\$ 372,847

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 ending December 31, 2010 and 2009 as follows:

VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

3. BUDGETARY ACTIVITY (continued)

2010 Budgeted vs. Actual Budgetary Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 99,218	\$ 68,259	\$ (30,959)
Special Revenue	105,720	129,659	23,939
Debt Service	-	-	-
Permanent	-	-	-
Enterprise	156,210	150,854	(5,356)
Total	<u>\$ 361,148</u>	<u>\$ 348,772</u>	<u>\$ (12,376)</u>

2010 Budgeted vs. Actual Budgetary Basis Disbursements			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 160,361	\$ 114,983	\$ 45,378
Special Revenue	214,356	100,064	114,292
Debt Service	1,179	1,179	-
Permanent	40,026	-	40,026
Enterprise	381,182	167,307	213,875
Total	<u>\$ 797,104</u>	<u>\$ 383,533</u>	<u>\$ 413,571</u>

2009 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 52,606	\$ 146,105	\$ 93,499
Special Revenue	57,388	121,005	63,617
Debt Service	-	10,000	10,000
Enterprise	858,442	931,083	72,641
Total	<u>\$ 968,436</u>	<u>\$ 1,208,193</u>	<u>\$ 239,757</u>

2009 Budgeted vs. Actual Budgetary Basis Disbursements			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ -	\$ 173,087	\$ (173,087)
Special Revenue	-	119,900	(119,900)
Debt Service	-	8,860	(8,860)
Enterprise	760,592	882,955	(122,363)
Total	<u>\$ 760,592</u>	<u>\$ 1,184,802</u>	<u>\$ (424,210)</u>

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

3. BUDGETARY ACTIVITY (continued)

Contrary to ORC 5705.38(A), appropriations were not approved for 2009, which caused expenditures to exceed appropriation in all funds (5705.41(B)). Estimated revenue exceeded actual revenue in various funds in both 2009 and 2010 (ORC 5705.36(A)(4)). Numerous disbursements were not encumbered in both years (ORC 5705.41(D)).

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, 2010 was as follows:

<u>Description</u>	<u>Principal</u>	<u>Interest Rate</u>
Promissory Note (1) (Tanker Truck - Fire Dept)	\$ 10,196	3.50%
Promissory Note (2) (Boat)	8,825	5.04%
OPWC loan	182,672	2.00%
USDA loan	713,000	4.50%
	<u>\$ 914,693</u>	

The Promissory Note (1) relates to the purchase of a new tanker truck for the Village Fire Department. This loan, issued in 2000 for \$132,840 is to be paid over a 10 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. The Village has paid off the balance in 2011.

The Promissory Note (2) relates to the purchase of a new ambulance for the emergency squad. This loan, issued in 2005 for \$56,010 is to be paid over a 5 year period, will be repaid in monthly installments of \$595. The ambulance is pledged as collateral. The Village has paid off the balance in 2011.

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

5. DEBT (continued)

The Ohio Public Works Commission (OPWC) loan relates to the Sanitary Sewer project. The original loan in 2008 was for \$199,219 at 2.0% interest for 20 years. The loan will be repaid in semiannual payments of \$6,067 starting July 1, 2008. The Village's taxing authority collateralizes the OPWC loan. This loan was inadvertently left off the prior year report.

The United States Department of Agriculture (USDA) loan relates to the Sanitary Sewer project. The original loan in 2009 was for \$713,000 at 4.5 % interest for 50 years. The loan will be repaid in semiannual payments of approximately \$39,500 starting in 2010. This loan was issued to pay off an OWDA loan from prior years that was left of the prior audit report.

Amortization of the above debt follows:

Year Ending December 31:	USDA	OPWC
2011	\$ 32,085	\$ 12,135
2012	39,485	12,135
2013	39,552	12,135
2014	39,501	12,135
2015	39,437	12,135
2016-2020	197,521	60,673
2021-2025	197,510	60,673
2026-2030	197,468	36,531
2031-2035	197,574	
2036-2040	197,520	
2041-2045	197,487	
2046-2049	157,995	
	\$ 1,533,135	\$ 218,552

6. RETIREMENT SYSTEM

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 2010 and 2009, OPERS participants contributed 10% of their gross salaries, respectively. The Village contributed an amount equal to 14% of participants' gross salaries for both years. The Village has paid all contributions required through December 31, 2010.

7. RISK MANAGEMENT

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

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

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

7. RISK MANAGEMENT (continued)

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 coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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, 2010 and 2009.

	2010	2009
Assets	\$ 34,952,010	\$ 36,374,898
Liabilities	(14,320,812)	(15,256,862)
Net Assets	\$ 20,631,198	\$ 21,118,036

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Village's share of these unpaid claims collectible in future years is approximately \$13,325.

Based on 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.

<u>Contributions to PEP</u>	
<u>2010</u>	<u>2009</u>
\$14,328	\$14,608

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

7. RISK MANAGEMENT (continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. 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. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits.

9. RELATED PARTY TRANSACTIONS

The Village mayor is owner of a grocery/supply store from which the Village bought supplies during 2009 and 2010. The Village paid \$1,750 in 2010 and \$2,085 in 2009.

10. PRIOR PERIOD ADJUSTMENTS

Numerous misstatements in the prior audit caused the following restatements to the prior year fund balances.

	General Fund	Special Revenue Funds	Enterprise Funds
Fund cash balance, December 31, 2008	\$105,599	\$79,061	\$176,843
Adjustments	(17,951)	30,000	(40,305)
Fund Cash Balance January 1, 2009	\$87,648	\$109,061	\$136,538

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

**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 of Council:

We have audited the financial statements of the Village of Belmont, Belmont County (Village) as of and for the years ended December 31, 2009 and 2010, and have issued our report thereon dated April 26, 2012, 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 qualified our opinion due to the lack of accurate bank reconciliations, fund balances and lack of support for certain utility receipts in 2009. Except as discussed in the preceding sentence, 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 Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-003 through 2010-005 described in the accompanying schedule of findings to be material weaknesses.

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 such 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 2010-001 through 2010-003, 2010-005 and 2010-006.

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

We also noted certain matters that we have reported to management of the Village in a separate letter dated April 26, 2012.

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



Charles E. Harris and Associates, Inc.

April 26, 2012

VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Schedule of Findings
For the Years Ending December 31, 2010 and 2009

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

Finding Number 2010-001

Noncompliance Citation

Ohio Revised Code Section 5705.38 (A) states on or about the first day of each year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

No appropriation measures were approved for 2009. As a result, the Village is not in compliance with Ohio Revised Code Section 5705.41 (B) that states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

Management's Response: This problem was caused by the Village's old administration. New administration will ensure appropriations are approved in accordance with the Ohio Revised Code.

Finding Number 2010-002

Noncompliance Citation

Ohio Revised Code Section 5705.36(A)(4) requires that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. The following funds had actual receipts below estimated receipts, which the deficiency reduced the estimated resources below the level of appropriations:

VILLAGE OF BELMONT
 BELMONT COUNTY, OHIO
 Schedule of Findings – (continued)
 For the Years Ending December 31, 2010 and 2009

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

Finding Number 2010-002 (continued)

	Estimated Receipts	Actual Receipts	Variance
2010:			
General Fund	\$99,218	\$68,259	(\$30,959)
Special Revenue Fund:			
Street Construction M & R	\$29,915	\$29,025	(\$889)
State Highway Improve	1,701	1,300	(402)
Fire Fund	20,000	16,779	(3,221)
Enterprise Funds:			
Water Operating	\$53,000	\$46,589	(\$6,411)
Sewer Debt Sinking	32,120	29,442	(2,678)
Sewer Debt Serv. Reserve	3,960	3,628	(332)

We recommend that the Village monitor estimated receipts and actual revenue. The Village should request that Belmont County issue an amended certificate of estimated resources when it is known actual revenue will fall below estimates.

Management's Response: The Village failed to change the certificate of estimated resources when the grant funds were not received. Management will better monitor budgetary information in the future.

Finding Number 2010-003

Noncompliance Citation and Material Weakness

Ohio Administrative Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Schedule of Findings– (continued)
For the Years Ending December 31, 2010 and 2009**

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

Finding Number 2010-003 (continued)

During 2010 and 2009, the Village did not record, recorded incorrectly or was missing the following documentation:

- Certain OPERS forms were not found
- Various 941's did not match payroll report
- Various receipts were missing back up documentation
- Debt activity was not correctly recorded in the financial statements and footnotes. Also, certain prior year debt was not included in the report
- An OPWC grant to pay off OWDA capitalized interest was not recorded on the Village's books
- Various payroll selections did not have Village Council ordinance setting employee's pay rate
- Various reclassifications for property taxes, intergovernmental receipts, miscellaneous receipts, sale of assets, etc. were noted
- Certificates of deposit were recorded incorrectly for each year
- Could not test \$52,407 out of \$170,291 2009 utility receipts due to no supporting documentation for January-April 2009.
- Perkins Cemetery fund was classified incorrectly as special revenue. It should be presented as a permanent fund
- Interest was not properly recorded by fund for either year

We recommend that the Village retain all relevant documentation for all purchases, receipts and payroll. Also, we recommend the Village use more caution to ensure all activities of the Village are recorded accurately. Management should refer to the Village Officers' Handbook to ensure proper fund and account classification.

Management's Response: New management will ensure all supporting documentation is retained. Also care will be taken to ensure all transactions are recorded.

Finding Number 2010-004

Material Weakness

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. This process involves accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. The Village did not resolve various differences between the adjusted bank balance and the cash balance reflected in the Village's accounting records. These differences were the result of various recording errors, omissions and incorrect recording of certificates of deposit. The book balance was overstated by \$24,856 at December 31, 2009 and understated by \$30,586 at December 31, 2010. The financial statements and the Village's records have not been adjusted.

Without complete and accurate monthly bank reconciliations, the Village's internal control is weakened, which could hinder the detection of errors or irregularities by the Village's management in a timely manner.

VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Schedule of Findings – (continued)
For the Years Ending December 31, 2010 and 2009

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

Finding Number 2010-004 (continued)

We recommend that the Village complete formal bank reconciliations for their bank and investment accounts. If there are reconciling items, the Fiscal Officer should determine the accuracy of these items and update the accounting system and records timely. Council can then monitor the Village's monthly financial activity, determine their respective cash position and make sound decisions. Reconciliations should be reviewed by the governing body on a monthly basis and formally approved attesting to their accuracy and completeness and noted in the monthly minute meeting.

Management Response: The issues occurred under a previous fiscal officer. The current fiscal officer is working on correcting the issues.

Finding Number 2010-005

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 135.21 states that all interest earned must be credited to the general fund of the subdivision with the following exceptions: interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. Also, interest earned on the nonexpendable principal balance of a trust fund should follow the principal.

We noted that the majority of the interest monies received by the Village was booked in the general fund. Interest should be allocated between Street Construction, State Highway and the Perkins Cemetery funds. However, the Village does not allocate interest earning to these funds.

These amounts have not been adjusted in the financial statements, nor the Village records.

We recommend that the Village properly allocate interest earnings based on the balances of these funds that are invested.

Management's Response: Management will review the interest allocation procedures and update accordingly.

Finding Number 2010-006

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a 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 is 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 expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Schedule of Findings– (continued)
For the Years Ending December 31, 2010 and 2009

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

Finding Number 2010-006 (continued)

1. “Then and Now Certificates” – If the fiscal officer can certify that both at the time that contract or order was made (“then”) and at the time that the fiscal officer was completing the certification (“now”), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Village.

2. Blanket Certificates - Fiscal officers may prepare “blanket” certificates for certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates 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.

3. Super Blanket Certificates – The Village may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession 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.

The Village did not make the proper certification of funds in 38 of 48 transactions tested during the audit period. 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 expenditures exceeding budgetary spending limitations, we recommend that the Village certify expenditures prior to incurring the liability. The Village may utilize the use of “then and now” certificates for purchases under \$3,000 to assist with compliance.

Management Response: Management will review their procedures over purchase orders and modify accordingly.

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
For the Years Ending December 31, 2010 and 2009**

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-001	Appropriations Not Adopted	No	Repeated as 2010-001
2008-002	Missing documentation	No	Repeated as 2010-003
2008-003	Federal program over \$500,000, not testing during the year.	Yes	No federal programs noted during 2009 or 2010
2008-004	Did not record federal receipts and disbursements related to sanitary sewer projects	Yes	No federal programs noted during 2009 or 2010



Dave Yost • 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
JULY 05, 2012**