

VILLAGE OF BELMONT

BELMONT COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2012 and 2011





Dave Yost • Auditor of State

Village Council
Village of Belmont
P.O. Box 68
Belmont, OH 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, 2011 through December 31, 2012. 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 Recovery Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Village of Belmont has a volunteer fire department that it supports through the Fire Fund. The Village pays the wages and benefits for the firemen. The Village also has a fire levy that generates taxes for the purchase of equipment for the Fire Department. During the audit of the Village for the period January 1, 2011 – December 31, 2012, it was discovered the Fire Department had a checking accounting that was not reported as part of the Village’s financial activity nor under the control of the Village legislative authority. This checking account was under the control of the Fire Chief. Funding for this checking account came from small local donations and contracts with Belmont County and the Belmont County Fair Board to provide EMS services.

In reviewing the expenditures from this checking account, there were six expenditures made that were deemed to be “not for a proper public purpose”.

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

2012

1/15-2/15/2012 – Super Bowl Party – Union Fish Market - \$115

1/15-2/15/2012 – Super Bowl Party – Kroger’s – 51

11/15-12/15/2012 – Walmart Gift Cards for Christmas – 250

12/12/2012 – Outback Steakhouse – Christmas Party – 436

2011

12/12/2011 – Walmart Gift Cards for Christmas - \$250

12/12/2011 – Bethesda Market – Christmas Party – 354

The total expenditures deemed “not for a proper public purpose” is \$1,456

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mike Stewart, former Fire Chief, in the amount of \$1,456 and in favor of the Village of Belmont Fire Fund in the amount of \$1,456.

On December 20, 2013, the Village was paid \$1,456 with Cashier’s Check #5932336133 from WesBanco Bank, Inc. The \$1,456 was deposited into the Village’s Fire Fund on January 10, 2014.

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

April 23, 2014

VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2012 and 2011

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, 2012	3
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types and Similar Fiduciary Funds - For the Year Ended December 31, 2012	4
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types and Similar Fiduciary Funds - For the Year Ended December 31, 2011	6
Notes to the Financial Statements	7-15
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	16-17
Schedule of Findings	18-20
Schedule of Prior Audit Findings	21

REPORT OF INDEPENDENT ACCOUNTANTS

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

To Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Belmont, Belmont County, (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Belmont, Belmont County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 9 to the financial statements, during 2011 the Village of Belmont, Belmont County, adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
September 20, 2013

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, 2012

	Governmental Fund Types			Total Memorandum Only
	General	Special Revenue	Permanent	
Cash Receipts:				
Property and Other Local Taxes	\$ 9,904	\$ 14,792	-	\$ 24,696
Intergovernmental	30,309	35,239	-	65,548
Charges of Services	16,084	89,518	-	105,602
Fines, Licenses & Permits	5,059	-	-	5,059
Earnings on Investments	1,111	-	-	1,111
Miscellaneous	1,432	1,050	-	2,482
Total Cash Receipts	63,899	140,599	-	204,498
Cash Disbursements:				
Current:				
Security of Persons & Property	2,278	85,711	-	87,989
Public Health Services	-	7,294	-	7,294
Leisure Time Activities	16,048	-	-	16,048
Basic Utility Service	1,972	-	-	1,972
Transportation	1,344	42,135	-	43,479
General Government	34,831	915	-	35,746
Capital Outlay	-	4,506	-	4,506
Debt Service:				
Principal Payment	-	6,668	-	6,668
Interest and Fiscal Charges	-	81	-	81
Total Cash Disbursements	56,473	147,310	-	203,783
Total Receipts Over/(Under) Disbursements	7,426	(6,711)	-	715
Other Financing Sources/(Uses):				
Transfers-In	-	351	-	351
Transfers-Out	(351)	-	-	(351)
Total Other Financing Sources/(Uses)	(351)	351	-	-
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	7,075	(6,360)	-	715
Fund Cash Balance, January 1	11,383	122,170	\$ 41,026	174,579
Fund Cash Balance, December 31				
Nonspendable	-	-	41,026	41,026
Restricted	-	115,810	-	115,810
Unassigned	20,188	-	-	20,188
Fund Cash Balance, December 31	\$ 18,458	\$ 115,810	\$ 41,026	\$ 175,294

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 AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Types Enterprise Fund</u>	<u>Fiduciary Fund Type Agency Fund</u>	<u>Total Memorandum Only</u>
Operating Cash Receipts:			
Charges for Services	\$ 175,497	-	\$ 175,497
Total Operating Cash Receipts	175,497	-	175,497
Operating Cash Disbursements:			
Personal Services	16,057	-	16,057
Employee Fringe Benefits	2,650	-	2,650
Contractual Services	79,292	-	79,292
Supplies & Materials	26,908	-	26,908
Total Operating Cash Disbursements	124,907	-	124,907
Operating Income/(Loss)	50,590	-	50,590
Non-Operating Cash Receipts/(Disbursements):			
Mayor's Court Fines and Fees	-	\$ 875	875
Distribution of Fines and Fees	-	(750)	(750)
Redemption of Principal	(16,052)	-	(16,052)
Interest and Other Fiscal Charges	(35,535)	-	(35,535)
Total Non-Operating Cash Receipts/(Disbursements)	(51,587)	125	(51,462)
Excess of Receipts Over Disbursements	(997)	125	(872)
Fund Cash Balance, January 1	210,033	100	210,133
Fund Cash Balance, December 31	\$ 209,036	\$ 225	\$ 209,261

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, 2011**

	Governmental Fund Types			Total Memorandum Only
	General	Special Revenue	Permanent	
Cash Receipts:				
Property and Other Local Taxes	\$ 9,882	\$ 14,951	-	\$ 24,833
Intergovernmental	29,667	43,872	-	73,539
Charges of Services	12,474	75,239	-	87,713
Fines, Licenses & Permits	4,196	-	-	4,196
Earnings on Investments	1,574	23	-	1,597
Miscellaneous	515	4,528	-	5,043
Total Cash Receipts	58,308	138,613	-	196,921
Cash Disbursements:				
Current:				
Security of Persons & Property	4,468	98,518	-	102,986
Public Health Services	-	7,440	-	7,440
Leisure Time Activities	19,198	-	-	19,198
Basic Utility Service	1,630	-	-	1,630
Transportation	1,600	33,769	-	35,369
General Government	31,816	1,374	-	33,190
Capital Outlay	-	11,255	-	11,255
Debt Service:				
Principal Payment	-	12,353	-	12,353
Interest and Fiscal Charges	-	929	-	929
Total Cash Disbursements	58,712	165,638	-	224,350
Total Receipts Over/(Under) Disbursements	(404)	(27,025)	-	(27,429)
Other Financing Sources/(Uses):				
Transfers-In	-	2,155	-	2,155
Transfers-Out	(2,155)	-	-	(2,155)
Total Other Financing Sources/(Uses)	(2,155)	2,155	-	-
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	(2,559)	(24,870)	-	(27,429)
Fund Cash Balance, January 1 - Restated	13,942	147,040	\$ 41,026	202,008
Fund Cash Balance, December 31				
Nonspendable	-	-	41,026	41,026
Restricted	-	122,170	-	122,170
Unassigned	12,023	-	-	12,023
Fund Cash Balance, December 31	\$ 11,383	\$ 122,170	\$ 41,026	\$ 174,579

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 AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Types Enterprise Fund</u>	<u>Fiduciary Fund Type Agency Fund</u>	<u>Total Memorandum Only</u>
Operating Cash Receipts:			
Charges for Services	\$ 207,588	-	\$ 207,588
Total Operating Cash Receipts	207,588	-	207,588
Operating Cash Disbursements:			
Personal Services	16,204	-	16,204
Employee Fringe Benefits	2,390	-	2,390
Contractual Services	68,607	-	68,607
Supplies and Materials	45,029	-	45,029
Total Operating Cash Disbursements	132,230	-	132,230
Operating Income/(Loss)	75,358	-	75,358
Non-Operating Cash Receipts/(Disbursements):			
Mayor's Court Fines and Fees	-	\$ 1,099	1,099
Distribution of Fines and Fees	-	(1,299)	(1,299)
Principal Retirement	(12,850)	-	(12,850)
Interest and Other Fiscal Charges	(37,397)	-	(37,397)
Total Non-Operating Cash Receipts/(Disbursements)	(50,247)	(200)	(50,447)
Excess of Receipts Over Disbursements	25,111	(200)	24,911
Fund Cash Balance, January 1 - Restated	184,922	300	185,222
Fund Cash Balance, December 31	\$ 210,033	\$ 100	\$ 210,133

See accompanying Notes to the Financial Statements.

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Belmont, Belmont County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), cemetery operations, street repair and maintenance, police, fire, and emergency medical services to the residents of the Village.

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

B. BASIS OF ACCOUNTING

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. DEPOSITS AND INVESTMENTS

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

D. FUND ACCOUNTING

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund – This fund receives gasoline and motor vehicle tax money for construction, maintenance and repairing of 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, 2012 and 2011

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. 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.

4. Enterprise Funds

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

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

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

5. Agency Fund

This fund accounts for money which the Village is acting in an agency capacity. The Village had the following significant Agency fund:

Mayor's Court Fund – This fund receives fines, bonds and costs assessed by the Court and disburses these amounts to the State, Village or payee.

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 object level and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations at year-end are carried over to the subsequent year.

VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances 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 carried over, and need not be reappropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action by resolution or ordinance. The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, ordinance, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. FUND BALANCE – (Continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. PROPERTY, PLANT AND EQUIPMENT

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

H. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED 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 cash and investments at December 31 was as follows:

	<u>2012</u>	<u>2011</u>
Demand deposits	\$289,855	\$290,012
Certificates of deposit	<u>\$94,700</u>	<u>\$94,700</u>
Total	<u><u>\$384,555</u></u>	<u><u>\$384,712</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2012 and 2011

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 is as follows:

<u>Fund Type</u>	<u>2012 Budgeted vs. Actual Receipts</u>		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 44,587	\$ 63,899	\$ 19,312
Special Revenue	86,100	140,950	54,850
Enterprise	125,159	175,497	50,338

<u>Fund Type</u>	<u>2012 Budgeted vs. Actual Budgetary Basis Disbursements</u>		
	Total Appropriations	Budgetary Disbursements	Variance
General	\$ 57,496	\$ 56,824	\$ 672
Special Revenue	180,782	147,310	33,472
Enterprise	236,962	176,494	60,468

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Receipts</u>		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 46,683	\$ 58,308	\$ 11,625
Special Revenue	103,270	140,768	37,498
Enterprise	160,159	207,588	47,429

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Budgetary Basis Disbursements</u>		
	Total Appropriations	Budgetary Disbursements	Variance
General	\$ 73,029	\$ 60,867	\$ 12,162
Special Revenue	281,527	165,638	115,889
Enterprise	382,575	182,477	200,098

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2012 and 2011**

4. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment 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, 2012 was as follows:

<u>Description</u>	<u>Principal</u>	<u>Interest Rate</u>
OPWC loan	\$ 161,170	2.00%
USDA loan	705,600	4.50%
	<u>\$ 866,770</u>	

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.

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 annual payments of approximately \$39,500 starting in 2010.

Amortization of the above debt follows:

<u>Year Ending December 31:</u>	<u>USDA</u>	<u>OPWC</u>
2013	\$ 39,552	\$ 12,135
2014	39,501	12,135
2015	39,437	12,135
2016	39,558	12,135
2017	39,458	12,135
2018-2022	197,570	60,673
2023-2027	197,461	60,773
2028-2032	197,452	12,134
2033-2037	197,556	
2038-2042	197,479	
2043-2047	197,509	
2048-2049	79,031	
	<u>\$ 1,461,564</u>	<u>\$ 194,255</u>

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2012 and 2011**

6. RETIREMENT SYSTEM

All employees of the Village belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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 2012 and 2011, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

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.

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. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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, 2012, 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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2012 and 2011**

7. RISK MANAGEMENT – (continued)

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$15,000.

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>2012</u>	<u>2011</u>
\$16,965	\$15,274

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. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

9. CHANGE IN ACCOUNTING PRINCIPLE

In 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

10. RELATED PARTY TRANSACTIONS

The Village mayor is owner of a grocery/supply store from which the Village bought supplies during 2012 and 2011. The Village paid \$1,553 in 2012 and \$1,688 in 2011.

**VILLAGE OF BELMONT
 BELMONT COUNTY, OHIO
 Notes to the Financial Statements
 For The Years Ended December 31, 2012 and 2011**

11. PRIOR PERIOD ADJUSTMENTS

Several unrecorded bank accounts and other minor misstatements caused the following restatements to the prior year fund balances.

	Special Revenue Funds	Enterprise Funds	Agency Funds
Fund cash balance, December 31, 2010	\$139,761	\$168,213	\$0
Adjustments	7,279	16,709	300
Fund cash balance January 1, 2011	<u>\$147,040</u>	<u>\$184,922</u>	<u>\$300</u>

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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, OH 43718

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Belmont, Belmont County (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated September 20, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting that we consider 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2012-001 and 2012-002 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2012-001 and 003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 20, 2013.

Entity's Responses to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
September 20, 2013

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Schedule of Findings
For the Years Ending December 31, 2012 and 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2012-001

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.

During 2012 and 2011, the Village did not record or recorded incorrectly the following:

- Debt activity was not correctly recorded in the financial statements. Principal and interest amounts were sometimes not properly broken out. Further, some debt payments were recorded as transportation expenses rather than debt service expenses
- Various payroll selections did not have Village Council ordinance setting employee's pay rate
- The Perkins Cemetery fund was classified incorrectly as a special revenue fund. It should be presented as a permanent fund
- Interest was not properly recorded by fund for either year
- Certain revenues, expenses and cash balances related to the Fire Department, Mayor's Court, Water account and Water Savings account were not recorded in the financial statements (See Finding Number 2012-002)
- Audit adjustments required by the Auditor of State from 2009-2010 were not posted accurately

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 and the Uniform Accounting Network to ensure proper fund and account classification. These adjustments were made in the accompanying financial statements and Village records.

Management's Response: Management will ensure care will be taken to ensure all transactions are recorded.

Finding Number 2012-002

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 and omissions of certain bank accounts and activity as described below:

- The Village's fire department maintained its own bank account which was not included in the Village's accounting records. Further, all expenses, revenues and balances related to this account were not included in the Village's accounting records or financial statements. Also, an analysis of the activity related to this bank account disclosed numerous questionable costs. These questionable costs have been referred to the Auditor of State.

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Schedule of Findings – (continued)
For the Years Ending December 31, 2012 and 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (continued)
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Finding Number 2012-002 - Continued

- The Village maintained a Water Department Savings Account for the future payment of principal and interest amounts related to a USDA loan. This account was also not included in the Village's accounting records. Further, the funds transferred into this account were treated as an expense rather than a bank transfer and the interest earned on this account was not included in the Village's accounting records or financial statements.

- The Village maintained a separate bank account which was used to account for all water and sewer payments from Village residents. The Village would then transfer the amounts to their general fund on a monthly basis. However, this bank account ending balance was not included in the Village's accounting records.

- The Village maintained a Mayor's Court bank account for all Mayor's Court activity. This account was not included in the Village's accounting records. Further, all expenses, revenues and balances related to this account were not included in the Village's accounting records nor the financial statements.

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. These items were adjusted in the accompanying financial statements and the Village records.

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 Council on a monthly basis and formally approved attesting to their accuracy and completeness and noted in the monthly minute meeting.

We further recommend the Village take control of the fire department bank account and ensure that all related activity be included in the Village's accounting records in the future. Also, we recommend the Village add all additional bank accounts and the related activity to the Village's accounting records.

Management Response: The fiscal officer is working on correcting these issues.

Finding Number 2012-003

Noncompliance Citation

Ohio Revised Code Section 5705.36 provides in part that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing units shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of the tax budget was waived, from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the preceding year.

The Village's 2011 and 2012 Certificate of Estimated Resources contained numerous funds that did not reflect the proper unencumbered fund balances. This issue led to other budgetary noncompliance, such as appropriating more monies than were available.

VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
Schedule of Findings – (continued)
For the Years Ending December 31, 2012 and 2011

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (continued)</p>
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Finding Number 2012-003 - Continued

We recommend that management include all budgetary funds separately with the proper unencumbered beginning fund balances for each year on the Certificate of Estimated Resources.

Management Response: Management will ensure all accurate beginning fund balances are included in the Certificate in the future.

**VILLAGE OF BELMONT
BELMONT COUNTY, OHIO
For the Years Ending December 31, 2012 and 2011**

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
2010-001	Appropriations Not Adopted	Yes	No Longer Valid
2010-002	Actual receipts less than estimated receipts	Yes	No Longer Valid
2010-003	Not recorded, incorrectly recorded, and missing documentation	No	Repeated as 2012-001
2010-004	Reconciliation of bank and book balances	No	Repeated as 2012-002
2010-005	Improper interest allocation	No	Partially corrected. Included in management letter
2010-006	Improper certification of funds	Yes	No Longer Valid



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
MAY 8, 2014**