



**Auditor of State
Betty Montgomery**

VILLAGE OF BELMONT
BELMONT COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

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

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

Betty Montgomery
Auditor of State

June 20, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Belmont, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Belmont, Belmont County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

June 20, 2005

VILLAGE OF BELMONT
BELMONT COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$5,781	\$12,016	\$7,166	\$24,963
Special Assessments	613			613
Intergovernmental Receipts	62,431	32,501		94,932
Charges for Services	75,204	13,175		88,379
Fines, Licenses, and Permits	2,128			2,128
Earnings on Investments	474	753		1,227
Miscellaneous	18,680			18,680
Total Cash Receipts	<u>165,311</u>	<u>58,445</u>	<u>7,166</u>	<u>230,922</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	88,968	15,560		104,528
Public Health Services	4,199	4,625		8,824
Leisure Time Activities	47,765			47,765
Transportation		26,856		26,856
General Government	53,436	877		54,313
Debt Service:				
Principal Payments			15,356	15,356
Interest Payments			4,082	4,082
Capital Outlay		14,537		14,537
Total Cash Disbursements	<u>194,368</u>	<u>62,455</u>	<u>19,438</u>	<u>276,261</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(29,057)</u>	<u>(4,010)</u>	<u>(12,272)</u>	<u>(45,339)</u>
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets	6,525	450		6,975
Transfers-In		7,000	6,500	13,500
Transfers-Out	(13,500)			(13,500)
Total Other Financing Receipts/(Disbursements)	<u>(6,975)</u>	<u>7,450</u>	<u>6,500</u>	<u>6,975</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(36,032)</u>	<u>3,440</u>	<u>(5,772)</u>	<u>(38,364)</u>
Fund Cash Balances, January 1	<u>174,356</u>	<u>122,543</u>	<u>6,858</u>	<u>303,757</u>
Fund Cash Balances, December 31	<u>\$138,324</u>	<u>\$125,983</u>	<u>\$1,086</u>	<u>\$265,393</u>
Reserves for Encumbrances, December 31	<u>\$4,553</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,553</u>

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

**VILLAGE OF BELMONT
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$63,640	\$	\$63,640
Earnings on Investments		440	440
Total Operating Cash Receipts	<u>63,640</u>	<u>440</u>	<u>64,080</u>
Operating Cash Disbursements:			
Personal Services	12,125		12,125
Fringe Benefits	371		371
Contractual Services	77,109	1,400	78,509
Supplies and Materials	8,710		8,710
Capital Outlay	141		141
Total Operating Cash Disbursements	<u>98,456</u>	<u>1,400</u>	<u>99,856</u>
Operating (Loss)	<u>(34,816)</u>	<u>(960)</u>	<u>(35,776)</u>
Non-Operating Cash Receipts:			
Earnings on Investments	<u>1,350</u>		<u>1,350</u>
Total Non-Operating Cash Receipts	<u>1,350</u>	<u>0</u>	<u>1,350</u>
Net Cash Receipts Over/(Under) Cash Disbursements	(33,466)	(960)	(34,426)
Fund Cash Balances, January 1	<u>175,973</u>	<u>41,191</u>	<u>217,164</u>
Fund Cash Balances, December 31	<u>\$142,507</u>	<u>\$40,231</u>	<u>\$182,738</u>

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

**VILLAGE OF BELMONT
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$9,680	\$9,612	\$7,500	\$26,792
Special Assessments	1,711			1,711
Intergovernmental Receipts	63,428	30,426	239	94,093
Charges for Services	74,343	14,320		88,663
Fines, Licenses, and Permits	1,782			1,782
Earnings on Investments	742	1,491		2,233
Miscellaneous	600			600
	<u>152,286</u>	<u>55,849</u>	<u>7,739</u>	<u>215,874</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	57,762	14,087		71,849
Public Health Services	1,401	4,925		6,326
Leisure Time Activities	19,984	1,247		21,231
Transportation		22,900		22,900
General Government	47,202			47,202
Debt Service:				
Principal Payments			8,856	8,856
Interest Payments			3,525	3,525
Capital Outlay		103,126		103,126
	<u>126,349</u>	<u>146,285</u>	<u>12,381</u>	<u>285,015</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>25,937</u>	<u>(90,436)</u>	<u>(4,642)</u>	<u>(69,141)</u>
Other Financing Receipts/(Disbursements):				
Debt Proceeds		56,010		56,010
Transfers-In		10,020	11,500	21,520
Transfers-Out	(14,500)	(7,020)		(21,520)
Other Financing Sources		1,577		1,577
	<u>(14,500)</u>	<u>60,587</u>	<u>11,500</u>	<u>57,587</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,437	(29,849)	6,858	(11,554)
Fund Cash Balances, January 1	<u>162,919</u>	<u>152,392</u>	<u>0</u>	<u>315,311</u>
Fund Cash Balances, December 31	<u>\$174,356</u>	<u>\$122,543</u>	<u>\$6,858</u>	<u>\$303,757</u>
Reserves for Encumbrances, December 31	<u><u>\$5,085</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$5,085</u></u>

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

**VILLAGE OF BELMONT
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$65,735	\$	\$65,735
Earnings on Investments		832	832
Total Operating Cash Receipts	<u>65,735</u>	<u>832</u>	<u>66,567</u>
Operating Cash Disbursements:			
Personal Services	10,943		10,943
Contractual Services	83,092	2,800	85,892
Supplies and Materials	5,967		5,967
Total Operating Cash Disbursements	<u>100,002</u>	<u>2,800</u>	<u>102,802</u>
Operating (Loss)	<u>(34,267)</u>	<u>(1,968)</u>	<u>(36,235)</u>
Non-Operating Cash Receipts:			
Special Assessments	75		75
Earnings on Investments	3,032		3,032
Total Non-Operating Cash Receipts	<u>3,107</u>	<u>0</u>	<u>3,107</u>
Non-Operating Cash Disbursements:			
Debt Service	1,850		1,850
Total Non-Operating Cash Disbursements	<u>1,850</u>	<u>0</u>	<u>1,850</u>
Net Cash Receipts (Under) Cash Disbursements	(33,010)	(1,968)	(34,978)
Fund Cash Balances, January 1	208,983	43,159	252,142
Fund Cash Balances, December 31	<u>\$175,973</u>	<u>\$41,191</u>	<u>\$217,164</u>

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

**VILLAGE OF BELMONT
BELMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Belmont, Belmont County (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

2. Special Revenue Fund

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

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 government assessed taxes to provide police services for Village residents.

**VILLAGE OF BELMONT
BELMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

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

3. Debt Service Fund

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

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

4. Enterprise Funds

These funds 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 Fund:

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

5. Fiduciary Funds (Trust 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 nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant Fiduciary 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, function or object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF BELMONT
BELMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

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

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$273,931	\$303,421
Certificates of deposit	174,200	217,500
Total deposits	<u>\$448,131</u>	<u>\$520,921</u>

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

**VILLAGE OF BELMONT
BELMONT COUNTY**

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

3. BUDGETARY ACTIVITY

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

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$162,913	\$171,836	\$8,923
Special Revenue	69,394	65,895	(3,499)
Debt Service	18,666	13,666	(5,000)
Enterprise	67,246	64,990	(2,256)
Fiduciary	1,634	440	(1,194)
Total	\$319,853	\$316,827	(\$3,026)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$220,635	\$212,421	\$8,214
Special Revenue	125,095	62,455	62,640
Debt Service	18,800	19,438	(638)
Enterprise	224,100	98,456	125,644
Fiduciary		1,400	(1,400)
Total	\$588,630	\$394,170	\$194,460

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$144,864	\$152,286	\$7,422
Special Revenue	80,445	123,456	43,011
Debt Service	18,666	19,239	573
Enterprise	197,077	68,842	(128,235)
Fiduciary	1,634	832	(802)
Total	\$442,686	\$364,655	(\$78,031)

**VILLAGE OF BELMONT
BELMONT COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$226,841	\$145,934	\$80,907
Special Revenue	137,062	153,305	(16,243)
Debt Service	22,154	12,381	9,773
Enterprise	222,250	101,852	120,398
Fiduciary	4,000	2,800	1,200
Total	\$612,307	\$416,272	\$196,035

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Emergency Medical Squad Fund by \$58,391 for the year ended December 31, 2003.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. DEBT

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

	Principal	Interest Rate
Promissory Note-Ambulance	\$40,340	5.04%
Promissory Note-Tanker Truck	99,772	3.50%
Total	\$140,112	

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

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

**VILLAGE OF BELMONT
BELMONT COUNTY**

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

5. DEBT (Continued)

interest payments. This loan is being repaid from the Tanker Debt Service Fund. The fire truck is pledged as collateral along with the Village's taxing authority.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>Promissory Note- Ambulance</u>	<u>Promissory Note-Tanker Truck</u>
2005	\$7,140	\$13,289
2006	7,140	13,289
2007	7,140	13,289
2008	7,140	13,289
2009	7,140	13,289
2010-2014	25,585	66,445
2015-2016		26,578
Total	<u>\$61,285</u>	<u>\$159,468</u>

During the period the Village did make unscheduled lump sum principal payments on the Promissory Note-Ambulance and the Promissory Note-Tanker Truck; however, the above amortization schedule assumes the Village is only making the required payments each year.

6. RETIREMENT SYSTEMS

Certain elected officials, law enforcement officers, and other employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local government. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF BELMONT
BELMONT COUNTY**

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

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

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, 2003 and 2002 (the latest information available):

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$25,288,098	\$20,174,977
Liabilities	(12,872,985)	(8,550,749)
Retained earnings	<u>\$12,415,113</u>	<u>\$11,624,228</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$3,158,813	\$2,565,408
Liabilities	(792,061)	(655,318)
Retained earnings	<u>\$2,366,752</u>	<u>\$1,910,090</u>

**VILLAGE OF BELMONT
BELMONT COUNTY**

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

8. CONTINGENT LIABILITIES

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



**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of Belmont, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 20, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated June 20, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 and 2004-002. In a separate letter to the Village's management dated June 20, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Village Of Belmont
Belmont County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 20, 2005

**VILLAGE OF BELMONT
BELMONT COUNTY**

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

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or 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 the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code Section 5705.41(D)(1) and Section 5705.41(D)(3), respectively, of the Ohio Rev. Code:

- A. Then and Now Certificate - If the fiscal officer can certify that both at the time the contract or order was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

- B. Blanket Certificate – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

- C. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

Although the obligations paid by the Village had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of the appropriate fund, and free from any previous encumbrance, this certification of available funds was not obtained prior to incurring the obligation for 56% of transactions tested and there was no evidence of a "Then and Now" certificate being used by the Village Clerk/Treasurer. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VILLAGE OF BELMONT
BELMONT COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2004-001
(Continued)**

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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

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

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

At December 31, 2003, the following fund reflected expenditures which exceeded appropriations:

Fund	Appropriation	Expenditures	Variance
Emergency Medical Squad	\$44,000	\$102,391	(\$58,391)

This variance resulted from posting an audit adjustment necessary to record debt activity that was not reflected on the Village's accounting records as the debt proceeds were paid directly to the vendor by the lending institution.

We recommend the Village Clerk/Treasurer monitor all fund expenditures at the legal level of control to ensure expenditures remain within their respective budgeted amounts. The Village Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Village Clerk/Treasurer may request Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary. We also recommend when the Village issues debt in the future that the loan proceeds and corresponding capital outlay expenditure is recorded on the accounting records. An amended certificate needs to be obtained from the County Auditor for the new revenue source (debt proceeds) and Village Council needs to then officially appropriate such.

**VILLAGE OF BELMONT
BELMONT COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Rev. Code Section 135.18, the Village had uninsured deposits.	Yes	N/A
2002-002	Ohio Rev. Code Section 5705.39, appropriations exceeded estimated resources in the Fire Levy Fund.	Yes	N/A
2002-003	Ohio Rev. Code Section 5705.41(B), expenditures exceeding appropriations.	No	Not corrected; Reissued as Finding No. 2004-002.



**Auditor of State
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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
AUGUST 4, 2005**