



Dave Yost • Auditor of State

VILLAGE OF BELMORE
PUTNAM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Belmore
Putnam County
602 Main Street
P.O. Box 32
Belmore, Ohio 45815-0032

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Belmore, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 1B 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2015 and 2014, or changes in financial position 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 Belmore, Putnam County, Ohio as of December 31, 2015 and 2014, 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(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2017, 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.



Dave Yost
Auditor of State

Columbus, Ohio

February 13, 2017

**VILLAGE OF BELMORE
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$4,379	\$1,990	\$6,369
Intergovernmental	25,260	1,584	26,844
Earnings on Investments	2	51	53
<i>Total Cash Receipts</i>	29,641	3,625	33,266
Cash Disbursements			
Current:			
Security of Persons and Property	3,186	2,776	5,962
Leisure Time Activities	621		621
Transportation		2,445	2,445
General Government	26,115		26,115
<i>Total Cash Disbursements</i>	29,922	5,221	35,143
<i>Excess of Disbursements Over Receipts</i>	(281)	(1,596)	(1,877)
<i>Fund Cash Balances, January 1</i>	15,778	32,301	48,079
Fund Cash Balances, December 31			
Restricted		30,705	30,705
Assigned	15,497		15,497
<i>Fund Cash Balances, December 31</i>	\$15,497	\$30,705	\$46,202

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

**VILLAGE OF BELMORE
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$3,963	\$1,902	\$5,865
Intergovernmental	21,302	3,199	24,501
Fines, Licenses and Permits	820		820
Earnings on Investments	3	107	110
Miscellaneous	1,175	40	1,215
<i>Total Cash Receipts</i>	<u>27,263</u>	<u>5,248</u>	<u>32,511</u>
Cash Disbursements			
Current:			
Security of Persons and Property	4,899	2,413	7,312
Leisure Time Activities	193		193
Transportation		7,841	7,841
General Government	31,180		31,180
Capital Outlay	540	1,774	2,314
<i>Total Cash Disbursements</i>	<u>36,812</u>	<u>12,028</u>	<u>48,840</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(9,549)</u>	<u>(6,780)</u>	<u>(16,329)</u>
Other Financing Disbursements			
Other Financing Uses	(1,514)		(1,514)
<i>Net Change in Fund Cash Balances</i>	(11,063)	(6,780)	(17,843)
<i>Fund Cash Balances, January 1</i>	<u>26,841</u>	<u>39,081</u>	<u>65,922</u>
Fund Cash Balances, December 31			
Restricted		32,301	32,301
Assigned	15,778		15,778
<i>Fund Cash Balances, December 31</i>	<u>\$15,778</u>	<u>\$32,301</u>	<u>\$48,079</u>

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

**VILLAGE OF BELMORE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Village

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Belmore, Putnam 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. The Village appropriates General Fund monies 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. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

**VILLAGE OF BELMORE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

Street Light Fund – This fund receives tax levy money for operating the Village street lights.

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. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources. The Village did not certify to the County Auditor the amount from all sources available for expenditures from each fund for 2015 or 2014 and thus did not receive a certificate of estimated resources from the County Budget Commission.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual 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. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2015 and 2014 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

**VILLAGE OF BELMORE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

Village Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Village Council amends the resolution. 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, 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.

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

2. EQUITY IN POOLED DEPOSITS

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

	<u>2015</u>	<u>2014</u>
Demand deposits	\$20,927	\$22,854
Certificates of deposit	25,275	25,225
Total deposits	<u>\$46,202</u>	<u>\$48,079</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

**VILLAGE OF BELMORE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$29,641	\$29,641
Special Revenue		3,625	3,625
Total		<u>\$33,266</u>	<u>\$33,266</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$47,415	\$31,050	\$16,365
Special Revenue	17,410	5,334	12,076
Total	<u>\$64,825</u>	<u>\$36,384</u>	<u>\$28,441</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$27,263	\$27,263
Special Revenue		5,248	5,248
Total		<u>\$32,511</u>	<u>\$32,511</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$47,415	\$39,103	\$8,312
Special Revenue	17,410	14,864	2,546
Total	<u>\$64,825</u>	<u>\$53,967</u>	<u>\$10,858</u>

Contrary to Ohio law, appropriations exceeded estimated resources in all funds in 2015 and 2014, and appropriations posted to all funds in 2015 did not agree to appropriation amounts approved by Village Council. Also, expenditures exceeded appropriations in the Street Construction, Maintenance, and Repair Fund in 2014.

In addition, contrary to Ohio law, the Street Lighting Fund had a deficit balance as of December 31, 2015 and property tax receipts were posted to the Street Lighting Fund instead of the General Fund in 2015 and 2014.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village 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.

**VILLAGE OF BELMORE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

7. SUBSEQUENT EVENTS

In 2016, the Village began work on an approximately \$2 million project for the establishment of a sewer system. The Village was awarded a \$1,543,446 principal-forgiveness loan from the Environmental Protection Agency Water Pollution Control Loan Fund for construction of the system, and an Ohio Water Development Agency Planning Loan in the amount of \$750,000 to be repaid from the grant funds once the project is bid out and a contractor is chosen for the work. There is also an Ohio Water Development Agency Design Loan in the amount of \$294,326 for this project.

In 2016, the Village was the recipient of a Community Development Block Grant in the amount of \$30,000. This grant was through Putnam County and for the demolition of the old Village town hall.

In 2016, the Village was the recipient of donation for fire equipment in the amount of \$25,000, from the Firehouse Subs Public Safety Foundation.

8. NONCOMPLIANCE

- Contrary to Ohio law, the Village transferred \$1,000 in 2014 from the General Fund to the Street Lighting Fund without Village Council approval.
- Contrary to Internal Revenue Regulations certain amounts related to employee and employer payroll withholdings were not properly remitted to the Internal Revenue Service.

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

Village of Belmore
Putnam County
602 Main Street
P.O. Box 32
Belmore, Ohio 45815-0032

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 cash balances, receipts, and disbursements by fund type of the Village of Belmore, Putnam County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated February 13, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 opinion 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.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 through 2015-007, 2015-009, and 2015-010 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 2015-004 through 2015-006 and 2015-008 through 2015-010.

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.



Dave Yost
Auditor of State

Columbus, Ohio

February 13, 2017

**VILLAGE OF BELMORE
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness

Monitoring of Financial Statements

Accurate financial reporting is the responsibility of the Clerk-Treasurer and the Village Council and is essential to ensure the information provided to the readers of the financial statements is fairly stated. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

There was no evidence the Village Council reviewed monthly detailed revenue reports, disbursement reports, fund balance reports, budgetary reports, deposits, and invoices on a regular basis, which contributed to the following errors occurring without detection:

- The Fire Fund had no source of revenues and the fund no longer served the purpose for which it was established. Therefore, the activity posted to the Fire Fund should have been reported in the General Fund for 2015 and 2014. This resulted in security of persons and property disbursements of \$1,436 and \$476 for 2015 and 2014, being overstated in the Fire Fund and understated in the General Fund.
- Unassigned fund balance was overstated and assigned fund balance was understated in the General Fund in 2015 and 2014 by \$15,497 and \$15,778, respectively.

The financial statements and accounting records were adjusted to correct these and other errors.

We recommend the Clerk-Treasurer post all transactions in accordance with the guidance established by the Uniform Accounting Network manual, the Village Handbook, and GASB 54. Furthermore, to help ensure the Village's financial statements and notes to the statements are complete and accurate; the Village Council should adopt policies and procedures, to ensure that financial records are routinely reviewed by Village Council (or a designee).

FINDING NUMBER 2015-002

Material Weakness

Posting of Transactions and Cash Reconciliations

In order for management to properly monitor the activity of the Village, transactions must be posted in a timely manner and the bank accounts must be reconciled timely to detect errors. The monthly reconciliation of bank account balances to the accounting system's ending fund balances is an important method in detecting errors in the postings of receipts and disbursements and bank account records. After the reconciliation is completed, any errors found should be immediately corrected and month-end financial information should be generated by the Clerk-Treasurer.

The Village bank balances were not reconciled to the book balances throughout 2015 and 2014. In addition the Clerk-Treasurer did not perform monthly close out procedures of its financial records on the Uniform Accounting Network (UAN) accounting system during 2015 and most of 2014. Subsequently, the Village did not close out its annual records on UAN for 2015 or 2014. In 2016, the Village contracted with an independent accountant to reconcile the Village records for 2015 and 2014. The independent accountant found 15 posting errors in 2014 and 19 posting errors in 2015, which resulted in the December 31, 2015 fund balance being overstated by a net amount of \$12,936. Included in the posting errors for 2015, were unexplained fund balance adjustments that increased the fund balances of the General Fund, Street Construction, Maintenance, and Repair Fund, and the Fire Fund by \$17,000, \$3,000, and \$2,000, respectively. These posting errors also included deposits and memo transactions not posted to the UAN accounting system. The independent accountant assisted the Clerk-Treasurer in correcting the financial statements and accounting records for these errors.

These issues went undetected and uncorrected due to the lack of monitoring by the Village Council.

Failure to post transactions as they occur and to perform month end reconciliations (which reconciles the Village's total bank account balances to the general ledger system fund balance total) resulted in posting errors not being detected in a timely manner. It also resulted in Village Council not receiving accurate financial information for the Village in 2015 and 2014.

In an effort to help ensure financial activity of the Village is being properly accounted for and reported, we recommend:

- The Clerk-Treasurer post all receipts and disbursements as they occur.
- The Clerk-Treasurer perform a bank reconciliation each month.
- The Clerk-Treasurer present the monthly bank reconciliations to Village Council as evidence that all bank balances have been reconciled to the UAN fund balance total each month without significant adjusting factors on the reconciliation.
- Village Council periodically verify items appearing on the monthly bank reconciliation, including, but not limited to authentication of bank account balances, outstanding checks and deposits in transit. The Clerk-Treasurer's monthly bank reconciliations should be reviewed, initialed, and approved in the minutes by the Village Council.
- Village Council review receipt reports, disbursement reports, and monthly fund balances to determine if transactions are being posted in a timely manner and to the correct line items and funds.

FINDING NUMBER 2015-003

Material Weakness

Depositing and Posting of Public Money

Depositing public monies timely and posting the receipt of these monies at the same time as depositing, is necessary to safeguard the public monies, to accurately reflect the financial position of the Village, and to enable the Clerk-Treasurer to reconcile the Village's books to the bank balance. In addition, any monies due the Village are needed to continue the day to day operations of the Village, and should be deposited as received.

Gasoline Tax, Highway Distribution, and Homestead and Rollback monies disbursed to the Village, by the state, in the total amount of \$5,446 in 2015 and \$3,475 in 2014 were never deposited to the Village's bank accounts. Of these totals, \$3,438 in warrants issued in 2015 and \$2,469 in warrants issued in 2014 were voided by the State and will need to be reissued, and the rest of the undeposited warrants are still outstanding.

The lack of monitoring by Village Council contributed to this situation being undetected and uncorrected. The lack of timely depositing of receipts has resulted in the Village not having \$8,921 available to spend, even though the money was provided by the State.

We recommend the Village post receipts for monies as they are deposited. We also recommend the Village deposit any checks being held, and request the State Department of Taxation reissue the voided checks to the Village.

FINDING NUMBER 2015-004

Material Weakness and Noncompliance Citation

Ohio Rev. Code § 5705.10(A) provides that all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the General Fund. In addition, **Ohio Rev. Code § 5705.10(I)** provides that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2015, the Village's Street Light Fund had a deficit fund balance of \$529.

Property tax revenue in the amounts of \$75 in 2015 and \$111 in 2014 were posted to the Street Lighting Fund instead of the General Fund. The Village's financial statements and accounting records were adjusted to correct these posting errors.

The lack of timely bank reconciliations by the Clerk-Treasurer and monitoring by Village Council allowed these errors to occur without detection.

Improper reporting of revenue could cause management to draw incorrect conclusions regarding its fiscal position. Financial activity should be properly reported in the accounting ledgers, so Village Council can better assess whether financial goals are being met on an ongoing basis.

We recommend the Clerk-Treasurer reconcile the bank account monthly and Village Council review bank reconciliations and financial records to make sure amounts are properly reflected in the appropriate funds and there are sufficient funds to pay fund obligations.

FINDING NUMBER 2015-005

Material Weakness and Noncompliance Citation

Ohio Rev. Code §§ 5705.14 and .16 indicate, except in the case of transfers from the General Fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the General Fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for General Fund transfers though a resolution passed by a simple majority is required. A simple majority constitutes a quorum of greater than 50% of the members.)

The Clerk-Treasurer made a transfer in 2014 from the General Fund to the Street Lighting Fund in the amount of \$1,000 with no evidence of approval from Village Council. This error was caused and went undetected because the Village lacked a policy regarding financial review. The financial statements and accounting records were corrected to eliminate this unauthorized transfer.

We recommend Village Council approve all transfers as required, and this approval should be documented in the minutes.

FINDING NUMBER 2015-006

Material Weakness and Noncompliance Citation

Ohio Rev. Code § 5705.36 provides that on or about the first day of each fiscal year, the fiscal officers of subdivisions 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 along with any unencumbered balances existing at the end of the preceding year. The total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund in the official certificate of estimated resources, or any amendment thereof, certified prior to the making of the appropriation or supplemental appropriation.

Furthermore, **Ohio Rev. Code § 5705.39** provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure.

The Clerk-Treasurer did not file the certificate of amounts available for expenditure with the County Auditor for 2015 or 2014. As a result, the Village did not receive a certificate of estimated resources from the County Budget Commission.

The Clerk-Treasurer also did not file the approved appropriations with the County Auditor for 2015 or 2014. With no appropriations or certificate of estimated resources filed with the County Auditor, the County Budget Commission could not issue the required certificate regarding whether estimated resources were sufficient to cover the appropriations.

Consequently, with no certificate of estimated resources, approved appropriations exceeded available resources in all funds in 2015 and 2014. Appropriations were approved at the same amounts in total and by fund for both 2015 and 2014, which resulted in the following variances as of December 31, 2015 and 2014:

<u>Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Difference</u>
General Fund	\$47,415		\$(47,415)
Street Construction, Maintenance, and Repair Fund	9,500		(9,500)
State Highway Fund	1,500		(1,500)
Fire Fund	2,590		(2,590)
Street Light Fund	3,820		(3,820)

These problems occurred due to the Clerk-Treasurer's lack of knowledge of budgetary law and lack of monitoring by Village Council. Failure to monitor budgetary variances could result in deficit spending and may have contributed to the negative fund balance in the Street Lighting Fund as of December 31, 2015.

We recommend:

- The Clerk-Treasurer file the certificate of amounts available for expenditure by the required filing date each year.
- The Clerk-Treasurer obtain a certificate of estimated resources each year.
- The Clerk-Treasurer post estimated resources from the certificates of estimated resources.
- The Clerk-Treasurer file appropriations with the County Auditor each year and obtain a certificate that appropriations do not exceed estimated resources from the County Budget Commission.
- The Clerk-Treasurer and Village Council regularly monitor appropriations as compared to the total available resources for expenditure from each fund.
- The Village Council approve any necessary modifications to the estimated resources and appropriations, and the Clerk-Treasurer file the amendments with the County Auditor.

FINDING NUMBER 2015-007

Material Weakness – Posting of Appropriations

In 2015, the Clerk-Treasurer did not correctly post appropriation amounts approved by the Village Council.

There were differences between legally adopted and posted appropriations in the following funds:

<u>As of December 31, 2015:</u>	<u>Posted Appropriations</u>	<u>Adopted Appropriations</u>	<u>Variance</u>
General Fund	\$30,511	\$47,415	(\$16,904)
Street Construction, Maintenance, and Repair Fund	2,610	9,500	(6,890)
State Highway Fund		1,500	(1,500)
Fire Fund	1,538	2,590	(1,052)
Street Light Fund	95	3,820	(3,725)

These problems occurred due to the Clerk-Treasurer's lack of knowledge of budgetary law and lack of monitoring by Village Council. The budgetary note to the financial statements was corrected to reflect the approved amounts.

By not posting approved appropriations to the Village's ledgers, Village Council is not provided with adequate budgetary information to aid in monitoring the Village's financial position.

We recommend the Clerk-Treasurer only post appropriations which have been formally adopted by Village Council in the minutes and certified by the County Auditor. We also recommend the Village Council develop procedures to ensure proper posting to the accounting system and financial statements.

FINDING NUMBER 2015-008

Noncompliance Citation

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

As of December 31, 2014, the Street Construction, Maintenance, and Repair Fund had appropriations of \$9,500 and expenditures plus encumbrances of \$10,490, which resulted in a negative variance of \$990.

This occurred due to the failure to post all encumbrances and the lack of monitoring by the Village Council. Expenditures in excess of appropriations may result in deficit spending.

We recommend expenditures and appropriations be reviewed frequently by the Village Council and the necessary adjustments be made to reduce the possibility of expenditures exceeding appropriations.

FINDING NUMBER 2015-009

Material Weakness and Noncompliance Citation

Ohio Rev. Code § 5705.41(D)(1) provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the requirement stated above where 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, each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. Such resolution or ordinance must be passed within thirty days after the taxing authority receives the "then and now" certificate. Amounts 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 the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village Council.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account 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 Certificate – Village Council 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 may, but need not, be limited to a specific vendor. 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.

As of December 31, 2014, \$1,499 in the Street Construction, Maintenance, and Repair Fund was not properly certified and, as a result, was not encumbered in the Special Revenues Funds. Failure to properly certify disbursements and record encumbrances to the budgetary system could result in deficit spending. These problems occurred due to the Clerk-Treasurer's and Village Council's lack of knowledge or consideration of Ohio budgetary law. The budgetary note to the financial statements was adjusted to correct this and other errors.

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 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 the Clerk-Treasurer certify the funds are or will be available prior to obligation by Village Council. When prior certification is not possible, "then and now" certification should be used. We recommend the Clerk-Treasurer certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders which include the certification language 5705.41(D) requires to authorize disbursements. The Clerk-Treasurer should sign the certification at the time the Clerk-Treasurer incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2015-010

Material Weakness and Noncompliance Citation

Internal Revenue Regulation, 26 U.S.C.A. § 3402 provides, in part, that "[e]xcept as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed..." **Internal Revenue Regulation, 26 U.S.C.A. § 3403** provides that the employer is liable for the payment of any tax that is required by law to be deducted or withheld.

There was no evidence that amounts withheld from paychecks for Medicare and Federal Income Tax and the employer's share of Medicare were remitted to the Internal Revenue Service (IRS) for 2015 and 2014. In addition, Federal Income Tax and Medicare employee withholdings and employer share of Medicare have still not been remitted for 2010 through 2013. The following are the amounts owed to the Internal Revenue Service:

Year	Federal Income Tax	Employee Share of Medicare	Employer Share of Medicare	Total
2010		\$ 117.92	\$ 117.92	\$ 235.84
2011	\$ 170.11	116.95	116.94	404.00
2012	152.88	118.36	118.36	389.60
2013	144.78	175.71	175.71	496.20
2014	131.28	163.75	163.75	458.78
2015	150.31	125.39	125.39	401.09
Total	\$ 749.36	\$ 818.08	\$ 818.07	\$2,385.51

This was caused by the Clerk-Treasurer's continued disregard for complying with IRS regulations and the lack of monitoring by the Village Council.

We recommend the Clerk-Treasurer pay the required amounts due to the IRS by the required due date. We also recommend the Clerk-Treasurer contact the IRS and take the corrective action to resolve this matter. Any correspondence should be maintained on file for audit.

This matter will be referred to the Internal Revenue Service for any action they deem necessary.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF BELMORE
PUTNAM COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Ohio Rev. Code § 5705.41(D)(1) for lack of proper certification of expenditures.	Not corrected and reissued as Finding 2015-009 in this report.	Clerk attempted to issue purchase orders prior to making purchase commitments. However, reconciling problems hindered the bill paying process. The Village is still in the process of correcting its reconciling issues; once reconciled the Village can concentrate on compliance and procedures.
2013-002	Ohio Rev. Code §§ 5705.14 and .16 for lack of Village Council approval of a transfer.	Not corrected and reissued as Finding 2015-005 in this report.	Reconciling problems have hindered the financial procedures of the Village. The Village is still in the process of correcting its reconciling issues; once reconciled the Village can concentrate on compliance and procedures
2013-003	Material weakness and Ohio Rev. Code § 733.40 for not properly remitting Mayor's Court monies to the General Fund.	Finding no longer valid.	Mayors Court was dissolved as of December 31, 2013.
2013-004	Material weakness for lack of financial statement monitoring.	Not corrected and reissued as Finding 2015-001 in this report.	Reconciling problems have hindered the financial reporting process. The Village is still in the process of correcting its reconciling issues; once reconciled the Village can concentrate on compliance and procedures
2013-005	Material weakness for not reconciling bank account balances.	Not corrected and reissued as Finding 2015-002 in this report.	Clerk did not reconcile bank account balances to book balances during 2015 or 2014. Therefore, Village Council approved to obtain outside help to reconcile and prepare financial statements to submit for audit. Village Council will seek outside help to reconcile for 2016.

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Dave Yost • Auditor of State

VILLAGE OF BELMORE

PUTNAM COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 7, 2017