



Dave Yost • Auditor of State

VILLAGE OF BELLE CENTER
LOGAN COUNTY
DECEMBER 31, 2016 AND 2015

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types- For the Year Ended December 31, 2016	5
Combined Statement of Receipts, Disbursements, and Change in Fund Balance (Regulatory Cash Basis) - Proprietary Fund Type- For the Year Ended December 31, 2016	6
Notes to the Financial Statements - For the Year Ended December 31, 2016	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types- For the Year Ended December 31, 2015	13
Combined Statement of Receipts, Disbursements, and Change in Fund Balance (Regulatory Cash Basis) - Proprietary Fund Type- For the Year Ended December 31, 2015	14
Notes to the Financial Statements - For the Year Ended December 31, 2015	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Belle Center
Logan County
P.O. Box 508
Belle Center, Ohio 43310

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 Belle Center, Logan County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

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 such 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 2 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 *Additional Opinion Qualification and Unmodified Opinion on Regulatory Basis of Accounting* paragraphs 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, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

Charges for services receipts are reported at \$424,844 and \$384,421 for the years ended December 31, 2016 and 2015, respectively, which are 100 percent of Enterprise Fund operating receipts for both fiscal years. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Enterprise Fund charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the Enterprise Fund, and related notes of the Village of Belle Center, Logan County as of December 31, 2016 and 2015, 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 2.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the General, Special Revenue, and Capital Projects Funds, and related notes of the Village of Belle Center, Logan County, as of December 31, 2016 and 2015, 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 2.

Emphasis of Matter

As discuss in Note 2 to the financial statements, during 2015, the Village revised its financial presentation from that comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments to a format Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2018, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 21, 2018

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Village of Belle Center, Ohio*Logan County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2016*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$25,307	\$5,824		\$31,131
Municipal Income Tax	124,964			124,964
Intergovernmental	11,535	40,437		51,972
Fines, Licenses and Permits	7,201			7,201
Earnings on Investments	1,220	15		1,235
Miscellaneous	3,705			3,705
<i>Total Cash Receipts</i>	<u>173,932</u>	<u>46,276</u>		<u>220,208</u>
Cash Disbursements				
Current:				
Security of Persons and Property	31,097			31,097
Public Health Services	4,920			4,920
Leisure Time Activities	1,200			1,200
Community Environment	195			195
Transportation	5,478	52,046		57,524
General Government	79,371			79,371
Debt Service:				
Principal Retirement	8,065	2,170		10,235
Interest and Fiscal Charges	1,935			1,935
<i>Total Cash Disbursements</i>	<u>132,261</u>	<u>54,216</u>		<u>186,477</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>41,671</u>	<u>(7,940)</u>		<u>33,731</u>
Other Financing Receipts (Disbursements)				
Transfers Out	(635)			(635)
Other Financing Sources	863			863
<i>Total Other Financing Receipts (Disbursements)</i>	<u>228</u>			<u>228</u>
<i>Net Change in Fund Cash Balances</i>	41,899	(7,940)		33,959
<i>Fund Cash Balances, January 1</i>	<u>201,804</u>	<u>50,808</u>	<u>\$20,440</u>	<u>273,052</u>
Fund Cash Balances, December 31				
Restricted		42,868	20,440	63,308
Assigned	59,188			59,188
Unassigned	184,515			184,515
<i>Fund Cash Balances, December 31</i>	<u>\$243,703</u>	<u>\$42,868</u>	<u>\$20,440</u>	<u>\$307,011</u>

See accompanying notes to the financial statements

Village of Belle Center, Ohio

Logan County

*Combined Statement of Receipts, Disbursements
and Change in Fund Balance (Regulatory Cash Basis)*

Proprietary Fund Type

For the Year Ended December 31, 2016

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$424,844</u>
Operating Cash Disbursements	
Personal Services	95,098
Employee Fringe Benefits	21,109
Contractual Services	98,615
Supplies and Materials	58,867
Other	78,061
<i>Total Operating Cash Disbursements</i>	<u>351,750</u>
<i>Operating Income (Loss)</i>	<u>73,094</u>
Non-Operating Receipts (Disbursements)	
Special Assessments	64,206
Earnings on Investments (proprietary funds only)	52
Capital Outlay	(1,100)
Principal Retirement	(114,835)
Interest and Other Fiscal Charges	(27,193)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(78,870)</u>
<i>Income (Loss) before Transfers</i>	(5,776)
Transfers In	<u>635</u>
<i>Net Change in Fund Cash Balance</i>	(5,141)
<i>Fund Cash Balance, January 1</i>	<u>353,905</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$348,764</u></u>

See accompanying notes to the financial statements

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Belle Center (the Village), Logan County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and refuse utilities and park operations. The Village contracts with the Logan County Sheriff's department to provide security of persons and property. The Village contracts Richland Township Fire Department to receive fire protection services.

Jointly Governed Organization

The Village participates in a jointly governed organization. Note 10 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and change in fund balance (regulatory cash basis) for proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Other Capital Projects Fund This fund is used for capital improvements.

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 Operating Fund The water operating fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Sewer Operating Fund The sewer operating fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Ohio Water Development Authority (OWDA) Loan Fund The OWDA fund is a portion of the sewer charges from each customer set aside to pay the debt service.

Basis of Accounting

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 Board 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.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

Capital Assets

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

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.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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:

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

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.

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

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$153,725	\$174,795	\$21,070
Special Revenue	48,818	46,276	(2,542)
Capital Projects	8,309	0	(8,309)
Enterprise	460,300	489,737	29,437
Total	<u>\$671,152</u>	<u>\$710,808</u>	<u>\$39,656</u>

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 3 - Budgetary Activity

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$195,577	\$132,896	\$62,681
Special Revenue	63,597	54,216	9,381
Capital Projects	28,000	0	28,000
Enterprise	566,407	494,878	71,529
Total	\$853,581	\$681,990	\$171,591

Note 4 – Deposits and Investments

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:

Demand deposits	2016 \$355,775
Certificates of deposit	300,000
Total deposits	\$655,775

Deposits

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

Note 5 – Taxes

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.

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.

Income Taxes

The Village levies a municipal income tax of 1 (one) percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to RITA, on the Village's behalf, either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income tax revenue is credited only to the general fund.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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. 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, 2016.

Social Security

Several of the Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OWDA Loan - Sewer Improvement	\$830,907	4.16%
OPWC Loan - Sewer Improvement	68,750	0%
Union Banking Co. - Ford Truck	26,348	5%
Total	\$926,005	

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 9 – Debt (Continued)

The Ohio Water Development Authority (OWDA) loan relates to a sewer improvement project. The OWDA approved \$1,861,897 to the Village for this project. The Village will repay the loan in semiannual installments of \$69,022, including interest, over 20 years. The loan is secured by sewer receipts and special assessments. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan is also for a sewer improvement project. The OPWC approved \$250,000 to the Village for the project. The Village will repay the loan in semiannual installments of \$6,250 over a 20 year term. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Union Banking Co. loan is for a Ford Truck in the amount of \$50,241. The Village will pay annual payments to the bank in the amount of \$14,170, which includes interest, for 4 years.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loan	OPWC Loan	Union Banking Co. Loan
2017	\$128,704	\$12,500	\$14,170
2018	129,930	12,500	14,170
2019	131,207	12,500	
2020	132,538	12,500	
2021	133,924	12,500	
2022-2023	272,243	6,250	
Total	\$928,546	\$68,750	\$28,340

Note 10 – Jointly Governed Organizations

The B.M.R.T. Regional Ambulance District, Logan County, is directed by an appointed four member Board of Trustees. One Board member is appointed by each political subdivision within the District. Those subdivisions include McDonald, Richland, and Taylor Creek Townships and the Village of Belle Center. The District was established to provide rescue services and responds with mutual aid service to any agency requesting such services.

Village of Belle Center, Ohio*Logan County**Combined Statement of Receipts, Disbursements**and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2015*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$25,785	\$49,920		\$75,705
Municipal Income Tax	114,243			114,243
Intergovernmental	8,814	75,374		84,188
Fines, Licenses and Permits	9,186			9,186
Earnings on Investments	957	15		972
Miscellaneous	2,533			2,533
<i>Total Cash Receipts</i>	<u>161,518</u>	<u>125,309</u>		<u>286,827</u>
Cash Disbursements				
Current:				
Security of Persons and Property	35,107			35,107
Public Health Services	4,494			4,494
Leisure Time Activities	1,000			1,000
Community Environment	203			203
Transportation	4,294	86,805		91,099
General Government	77,133	32,161	\$2	109,296
Debt Service:				
Principal Retirement	6,688	4,170		10,858
Interest and Fiscal Charges	2,545			2,545
<i>Total Cash Disbursements</i>	<u>131,464</u>	<u>123,136</u>	<u>2</u>	<u>254,602</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>30,054</u>	<u>2,173</u>	<u>(2)</u>	<u>32,225</u>
Other Financing Receipts (Disbursements)				
Transfers Out	<u>(25,000)</u>			<u>(25,000)</u>
<i>Net Change in Fund Cash Balances</i>	5,054	2,173	(2)	7,225
<i>Fund Cash Balances, January 1</i>	<u>196,750</u>	<u>48,635</u>	<u>20,442</u>	<u>265,827</u>
Fund Cash Balances, December 31				
Restricted		50,808	20,440	71,248
Assigned	41,852			41,852
Unassigned	<u>159,952</u>			<u>159,952</u>
<i>Fund Cash Balances, December 31</i>	<u>\$201,804</u>	<u>\$50,808</u>	<u>\$20,440</u>	<u>\$273,052</u>

See accompanying notes to the financial statements

Village of Belle Center, Ohio
Logan County
Combined Statement of Receipts, Disbursements
and Change in Fund Balance (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2015

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$384,421
Operating Cash Disbursements	
Personal Services	76,003
Employee Fringe Benefits	20,184
Contractual Services	56,545
Supplies and Materials	45,971
Other	78,217
<i>Total Operating Cash Disbursements</i>	<u>276,920</u>
<i>Operating Income (Loss)</i>	<u>107,501</u>
Non-Operating Receipts (Disbursements)	
Special Assessments	70,034
Capital Outlay	(12,244)
Principal Retirement	(110,789)
Interest and Other Fiscal Charges	(41,754)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(94,753)</u>
<i>Income before Transfers</i>	12,748
Transfers In	<u>25,000</u>
<i>Net Change in Fund Cash Balance</i>	37,748
<i>Fund Cash Balance, January 1</i>	<u>316,157</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$353,905</u></u>

See accompanying notes to the financial statements

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

The Village of Belle Center (the Village), Logan County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and refuse utilities and park operations. The Village contracts with the Logan County Sheriff's department to provide security of persons and property. The Village contracts Richland Township Fire Department to receive fire protection services.

Jointly Governed Organization

The Village participates in a jointly governed organization. Note 10 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and change in fund balance (regulatory cash basis) for proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project fund:

Other Capital Projects Fund This fund is used for capital improvements.

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 Operating Fund The water operating fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Sewer Operating Fund The sewer operating fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Ohio Water Development Authority (OWDA) Loan Fund The OWDA fund is a portion of the sewer charges from each customer set aside to pay the debt service.

Basis of Accounting

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 Board 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.

Budgetary Process

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

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. Appropriations lapse at year end.

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

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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 3.

Capital Assets

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

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.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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:

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

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.

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

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$153,650	\$161,518	\$7,868
Special Revenue	132,398	125,309	(7,089)
Capital Projects	25,000	0	(25,000)
Enterprise	470,700	479,455	8,755
Total	\$781,748	\$766,282	(\$15,466)

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 3 - Budgetary Activity (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$213,975	\$156,464	\$57,511
Special Revenue	175,646	123,136	52,510
Capital Projects	35,003	2	35,001
Enterprise	505,687	441,707	63,980
Total	\$930,311	\$721,309	\$209,002

Note 4 – Deposits and Investments

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:

	2015
Demand deposits	\$326,957
Certificates of deposit	300,000
Total deposits	\$626,957

Deposits

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

Note 5 – Taxes

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.

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.

Income Taxes

The Village levies a municipal income tax of 1 (one) percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to RITA, on the Village's behalf, either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income tax revenue is credited only to the general fund.

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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. 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.

Social Security

Several of the Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
OWDA Loan - Sewer Improvement	\$931,243	4.16%
OPWC Loan - Sewer Improvement	81,250	0%
Union Banking Co. - Ford Truck	38,583	5%
Total	\$1,051,076	

Village of Belle Center, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 9 – Debt (Continued)

The Ohio Water Development Authority (OWDA) loan relates to a sewer improvement project. The OWDA approved \$1,861,897 to the Village for this project. The Village will repay the loan in semiannual installments of \$69,022, including interest, over 20 years. The loan is secured by sewer receipts and special assessments. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan is also for a sewer improvement project. The OPWC approved \$250,000 to the Village for the project. The Village will repay the loan in semiannual installments of \$6,250 over a 20 year term. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Union Banking Co. loan is for a Ford Truck in the amount of \$50,241. The Village will pay annual payments to the bank in the amount of \$14,170, which includes interest, for 4 years.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loan	OPWC Loan	Union Banking Co. Loan
2016	\$127,528	\$12,500	\$14,170
2017	128,704	12,500	14,170
2018	129,930	12,500	14,170
2019	131,207	12,500	
2020	132,538	12,500	
2021-2023	406,167	18,750	
Total	<u>\$1,056,074</u>	<u>\$81,250</u>	<u>\$42,510</u>

Note 10 – Jointly Governed Organizations

The B.M.R.T. Regional Ambulance District, Logan County, is directed by an appointed four member Board of Trustees. One Board member is appointed by each political subdivision within the District. Those subdivisions include McDonald, Richland, and Taylor Creek Townships and the Village of Belle Center. The District was established to provide rescue services and responds with mutual aid service to any agency requesting such services.



Dave Yost • Auditor of State

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

Village of Belle Center
Logan County
P.O. Box 508
Belle Center, Ohio 43310

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 Belle Center, Logan County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated February 21, 2018 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. We have qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as Enterprise Fund charges for services receipts. We noted the Village revised its financial presentation from that comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments to a format 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 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.

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 2016-001 and 2016-002 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 2016-001 and 2016-002.

Village's Response 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.



Dave Yost
Auditor of State
Columbus, Ohio

February 21, 2018

**VILLAGE OF BELLE CENTER
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance and Material Weakness – Destruction of Utility Records

Ohio Admin. Code § 117-2-02(D)(4), states, in part, all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. All local public offices should maintain or provide a report similar to the following accounting records:

- (b) Utilities billing records including:
 - i. Master file of service address, account numbers, billing address, type of services provided and billing rates.
 - ii. Accounts receivable ledger for each service type, including for each customer account, the outstanding balance due as of the end of each billing period (with an aging schedule for past due amounts), current usage and billing amount, delinquent or late fees due, payments received and noncash adjustments, each maintained by date and amount.
 - iii. Cash receipt records, recording cash received and date received on each account. This information should be used to post payments to individual accounts in the accounts receivable ledger described.

Ohio Rev. Code § 149.351(A) provides, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code.

In 2016 and 2015, the Village reported Charges for Services receipts for the Village utilities services provided to its residents, in the amount of \$424,844 and \$384,421, respectively. Upon receipt of the revenue, the Village recorded amounts paid by residents in the Governmental Systems (the Village's Utilities System) and then recorded the payments in the Uniform Accounting Network (UAN) System (the Village's Accounting System) in a lump sum. The Governmental Systems provides reports that would allow the capability to trace receipts from this system to the UAN System; however, these reports must be printed and past reports are unable to be viewed. The Village did not print and maintain the needed documentation to properly gain assurances on the revenue amounts reported and therefore a qualified opinion for the 2016 and 2015 amounts was issued.

In addition, the Village did not provide the original invoice or supporting documentation for 8 of the 36 expenditures tested in Fiscal Year 2015 and 1 of the 36 expenditures tested in Fiscal Year 2016. The Fiscal Officer was able to obtain the invoices from the vendor for 4 of the expenditures. Through additional procedures, we were able to obtain sufficient assurances for the remaining 5 expenditures.

The Village should implement policies and procedures to ensure required reports are printed and maintained from the Governmental Systems for each daily deposit of revenue. The Village should also ensure all expenditures are supported by complete voucher packets that support the amounts and vendors paid. Failure to implement internal controls and retain these required public records could result in future opinion qualifications, an incomplete audit trail, create potential problems for future management decisions, and/or result in unaccountable funds.

Officials' Response:

See Finding Number 2016-002

FINDING NUMBER 2016-002

Non-Compliance and Material Weakness – Financial Reporting

Ohio Rev. Code § 733.28 states, in part, the village clerk shall keep the books of the Village, exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and the income derived therefrom, and of all taxes and assessments.

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

Auditor of State Bulletin 98-013 indicates when a portion or all of the work for a project has been completed and paid for at that time, and a reimbursement is made from FEMA monies, the entity must do the following:

1. Place all reimbursement monies into a special FEMA fund that is created with Council approval,
2. For work completed and paid for, reimburse the fund(s) used to pay for the goods and/or services (before the FEMA monies were received).

In fiscal year 2015, the Village received FEMA monies on a reimbursement basis. Rather than posting the FEMA monies into a separate fund, the Village posted the reimbursements to the funds where the original expenditures were made from. Adjustments were made to move receipts and expenditures to the Special Revenue - FEMA Fund from the General Fund in the amount of \$562; Street Construction, Maintenance, and Repair Fund in the amount of \$2,216; Water Operating Fund in the amount of \$3,105; Sewer Operating Fund in the amount of \$28,377; and Garbage Operating Fund in the amount of \$117.

Additionally, the following adjustments and reclassifications were posted to the financial statements and where applicable, to the accounting records:

- General Fund
 - \$5,488 and \$8,065 in principal payments were reclassified from interest and fiscal charges to principal for 2015 and 2016, respectively
 - \$41,852 and \$59,188 in excess of subsequent appropriations over estimated receipts were reclassified from unassigned to assigned fund balance for 2015 and 2016, respectively
 - \$3,510 and \$3,274 in special assessment fees erroneously posted to the General Fund were adjusted as Enterprise Fund expenses for 2015 and 2016, respectively
 - \$577 in Special Revenue intergovernmental receipts erroneously posted to the General Fund were adjusted as Special Revenue receipts for 2016
- Special Revenue Fund
 - \$15,093 and \$8,204 in intergovernmental revenues were reclassified from property and other local taxes to intergovernmental for 2015 and 2016, respectively
 - \$4,170 and \$2,170 in principal payments were reclassified from interest and fiscal charges to principal for 2015 and 2016, respectively
- Enterprise Fund
 - \$2,000 and \$3,507 in principal payments were reclassified from interest and fiscal charges to principal for 2015 and 2016, respectively

In addition to the adjustments listed above, we also identified additional misstatements ranging from \$31 to \$3,906 that we have brought to the Village's attention.

**FINDING NUMBER 2016-002
(Continued)**

The failure to correctly classify financial activity in the accounting records and financial statements may impact the user's understanding of the financial operations, the Village's ability to make sound financial decisions or comply with budgetary law, and/or result in materially misstated reports. Not properly accounting for grants could result in misspending by the Village.

The Village should have procedures in place to provide for accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources. The Village should review the Village Handbook and Auditor of State Bulletin 98-013, and ensure that a separate fund be established for future FEMA activity to provide for improved accountability of grant funding.

Officials' Response:

The Village has made all recommended changes listed or verbally suggested in this audit.

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Dave Yost • Auditor of State

VILLAGE OF BELLE CENTER

LOGAN 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
APRIL 3, 2018