

Village of Beloit

Financial Condition

As of

December 31, 2005 and 2006

Together with Auditor's Report



Mary Taylor, CPA

Auditor of State

Mayor and Members of Council
Village of Beloit
P.O. Box 276
Beloit, Ohio 44609

We have reviewed the *Independent Auditor's Report* of the Village of Beloit, Mahoning County, prepared by Kevin L. Penn, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Beloit is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 9, 2008

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Kevin L.
Penn, Inc.

Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

Independent Auditor's Report

Village of Beloit
Mahoning County
17893 5th Street
P.O. Box 276
Beloit, Ohio 44609

I have audited the accompanying financial statements of the Village of Beloit (the Village), as of and for the year ended December 31, 2005 and 2006. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005 and 2006. Instead of the combined funds the accompanying financial statements present for 2005 and 2006, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2005 and 2006. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. My opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In my opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2006, or its changes in financial position for the year then ended.

Also, in my opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Beloit, Mahoning County, Ohio, as of December 31, 2005 and 2006 and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2005 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted In the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

In accordance with Government Auditing Standards, I have also issued my report dated August 22, 2008, on my consideration of the Village's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal controls over financial reporting and compliance and the results of testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards. You should read it in conjunction with this report in assessing the results of my audit.

Kevin L. Penn, Inc.

August 22, 2008

Village of Beloit
Mahoning County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances
All Governmental and Fiduciary Fund Types
For the Year Ended December 31, 2005

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Services	(Memorandum Only)
Cash Receipts:				
Local Taxes	\$ 46,722	\$ 111,065	\$ -	\$ 157,787
Intergovernmental	7,578	42,499		50,077
Charges for Services		55,130		55,130
Earnings on Investments	9,139	307		9,446
Other Revenue	10,451	33,940		44,391
Total Cash Receipts	73,890	242,941	-	316,831
Cash Disbursements:				
Current:				
General Government	60,720			60,720
Security of Persons & Property	6,422	91,416		97,838
Public Health Service	964			964
Transportation		11,673		11,673
Debt Service:				
Principal Payments		7,794		7,794
Interest Payments		1,200		1,200
Total Cash Disbursements	68,106	112,083	-	180,189
Total Receipts Over/(Under) Disbursements	5,784	130,858	-	136,642
Fund Cash Balance - January 1, 2005	77,803	300,002	392	378,197
Fund Cash Balance - December 31, 2005	\$ 83,587	\$ 430,860	\$ 392	\$ 514,839
Reserves for Encumbrances, December 31, 2005	\$ -	\$ -	\$ -	\$ -

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

Village of Beloit
Mahoning County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances - Enterprise Funds
For the Year Ended December 31, 2005

Operating Cash Receipts	
Charges for Services	\$ 156,823
Total Operating Cash Receipts	<u>156,823</u>
Operating Cash Disbursements:	
Personal Services	3,006
Employee Fringe Benefits	421
Contractual Services	115,025
Supplies and Materials	5,109
Other	4,812
Total Operating Cash Disbursements	<u>128,373</u>
Operating Income	<u>28,450</u>
Non-Operating Cash Receipts	
Other Non-Operating Cash Receipts	<u>647</u>
Total Non-Operating Cash Receipts	<u>647</u>
Non-Operating Cash Disbursements	
Debt Service - Principal	36,057
Debt Service - Interest and Fiscal Charges	7,243
Capital Outlay	3,417
Total Non-Operating Cash Disbursements	<u>46,717</u>
Net Disbursements Over Receipts	(17,620)
Fund Cash Balance - January 1, 2005	274,676
Fund Cash Balance - December 31, 2005	<u>\$ 257,056</u>
Reserves for Encumbrances, December 31, 2005	<u>\$ -</u>

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

Village of Beloit
Mahoning County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances
All Governmental and Fiduciary Fund Types
For the Year Ended December 31, 2006

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Services	(Memorandum Only)
Cash Receipts:				
Local Taxes	\$ 49,920	\$ 94,957	\$ -	\$ 144,877
Intergovernmental	6,850	40,605		47,455
Charges for Services		78,202		78,202
Earnings on Investments	16,099	508		16,607
Other Revenue	11,557	48,276		59,833
Total Cash Receipts	84,426	262,548	-	346,974
Cash Disbursements:				
Current:				
General Government	58,470			58,470
Security of Persons & Property	7,439	119,995		127,434
Public Health Service				-
Transportation		19,935		19,935
Debt Service:				
Principal Payments		8,080		8,080
Interest Payments		914		914
Capital Outlay		20,023		20,023
Total Cash Disbursements	65,909	168,947	-	234,856
Total Receipts Over/(Under) Disbursements	18,517	93,601	-	112,118
Fund Cash Balance - January 1, 2006	83,587	430,860	392	514,839
Fund Cash Balance - December 31, 2006	\$ 102,104	\$ 524,461	\$ 392	\$ 626,957
Reserves for Encumbrances, December 31, 2006	\$ -	\$ -	\$ -	\$ -

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

Village of Beloit
Mahoning County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances - Enterprise Funds
For the Year Ended December 31, 2006

Operating Cash Receipts	
Charges for Services	\$ 155,053
Total Operating Cash Receipts	<u>155,053</u>
Operating Cash Disbursements:	
Personal Services	3,396
Employee Fringe Benefits	482
Contractual Services	84,984
Supplies and Materials	814
Other	2,792
Total Operating Cash Disbursements	<u>92,468</u>
Operating Income	<u>62,585</u>
Non-Operating Cash Receipts	
Other Non-Operating Cash Receipts	<u>-</u>
Total Non-Operating Cash Receipts	<u>-</u>
Non-Operating Cash Disbursements	
Debt Service - Principal	38,373
Debt Service - Interest and Fiscal Charges	5,158
Capital Outlay	4,469
Total Non-Operating Cash Disbursements	<u>48,000</u>
Net Disbursements Over Receipts	14,585
Fund Cash Balance - January 1, 2006	257,056
Fund Cash Balance - December 31, 2006	<u>\$ 271,641</u>
Reserves for Encumbrances, December 31, 2006	<u>\$ -</u>

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

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Beloit, Mahoning County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including sewer, EMT and fire services.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criteria was considered in determining the reporting entity. The Village has no component units.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. A general fixed asset group and long-term debt group of accounts are not recorded on the financial statements by the Village under the basis of accounting used. This method of accounting is utilized in reporting to the State of Ohio but is not in accordance with generally accepted accounting principles. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Interest earned is recognized and recorded when received.

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

D. Fund Accounting

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the need of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. As prescribed by Ohio law, the Debt Service Fund is used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

Proprietary Funds

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purpose.

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

E. Budgetary Process

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

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

2. 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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Village must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

3. Estimated Resources

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

4. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

H. Total Columns of Financial Statements

Amounts in the "Totals (Memorandum Only)" columns of the financial statements represent a summation of the financial statements line items of the fund types and account groups. These amounts are presented for analytical purposes only. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

2. DEPOSITS AND INVESTMENTS

Legal Requirements

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Monies held by the Village which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. Bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase and reverse repurchase agreements in the securities listed above;
4. Bond and other obligations of the State of Ohio, its political subdivision, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

2. DEPOSITS AND INVESTMENTS (continued)

7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits. At year-end, the carrying amount of the Village's deposits was \$612,233 for 2006 and \$499,141 for 2005 and the bank balance was \$620,650 for 2006 and \$533,630 for 2005. Of the bank balance, \$100,000 was covered by federal depository insurance for 2006 and 2005, and \$520,650 for 2006 and \$433,630 for 2005 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Investments. Statutory provisions require that the Village hold all securities acquired by the Village or deposit them with a qualified trustee pursuant to Section 135.18, Revised Code. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterparty is a designated depository of the Village for the current period of designation of depositories, in which case the securities may be held in trust by the depository. At the end of each day, the Village withdraws surplus funds from the account and invests the monies in an overnight repurchase agreement. The Village does not purchase any specific security in this manner, but the investment is collateralized by pledged securities held by a third party in the name of the bank.

The Village has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio), during 2006 and 2005. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes.

STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2006 and 2005. At year end, the carrying amount of the Village's deposits with Star Ohio was \$286,365 for 2006 and \$272,754 for 2005 and the market value was \$286,365 for 2006 and \$272,754 for 2005.

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments, classified by risk. Category 1 includes investments that are insured or registered, or securities held by the Village or its agent in Village name. Category 2 includes uninsured and unregistered, with securities held by the counter-party trust department or agent in the Village. Category 3 includes uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village.

STAR Ohio is unclassified investments since they are not evidenced by securities that exist in physical or book entry form. STAR Ohio was the only investments, during the 2005 calendar year; therefore, the categories described above do not apply for 2005; however, the Village used a Government Sweep account, during the 2006 calendar year.

Reconciliation of cash and cash equivalents and investments for 2006 is as follows:

	Cash and Cash Equivalents	Investments
Per Combined Statement of Cash Receipts, Disbursements And Changes in Fund Cash Balance	\$ 796,457	\$ 102,141
Repurchase Agreement	<u>102,141</u>	<u>(102,141)</u>
Per GASB Statement No. 3	\$ <u>898,598</u>	\$ <u>0</u>

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2005 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 122,623	\$ 73,890	\$ (48,733)
Special Revenue	463,952	242,941	(221,011)
Debt Service	392	-	(392)
Enterprise	<u>424,676</u>	<u>157,470</u>	<u>(267,206)</u>
Total	<u>\$ 1,011,643</u>	<u>\$ 474,301</u>	<u>\$ (537,342)</u>

2005 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 77,404	\$ 68,106	\$ 9,298
Special Revenue	190,812	112,083	78,729
Debt Service	392	-	392
Enterprise	<u>206,950</u>	<u>175,090</u>	<u>31,860</u>
Total	<u>\$ 475,558</u>	<u>\$ 355,279</u>	<u>\$ 120,279</u>

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows: (continued)

2006 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 134,808	\$ 84,426	\$ (50,382)
Special Revenue	625,309	262,548	(362,761)
Debt Service	392	-	(392)
Enterprise	399,056	155,053	(244,003)
Total	<u>1,159,565</u>	<u>\$ 502,027</u>	<u>\$(657,538)</u>

2006 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 86,045	\$ 65,909	\$ 20,136
Special Revenue	339,080	168,947	170,133
Debt Service	392	-	392
Enterprise	228,550	140,468	88,082
Total	<u>\$ 654,067</u>	<u>\$ 375,324</u>	<u>\$ 278,743</u>

4. PROPERTY TAX

Real property taxes become a lien on all non-exempt real property located in the county January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permit later payment dates to be established. Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of costs.

Real Property:

Residential and Agricultural	\$ 6,312,410
Commercial/Industrial/Mineral	1,843,580
Public Utilities	6,540

Tangible Personal Property:

General	330,454
Public Utilities	<u>500,980</u>
Total Valuation	<u>\$ 8,993,964</u>

The Mahoning County Treasurer collects property tax of behalf of all taxing districts within the county. The Mahoning County Auditor periodically remits to the taxing districts their portions of the taxes collected.

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

Sewer System Mortgage Revenue Bonds	\$ 75,000	4.00%
Fire Truck Note	8,230	5.25%
OWDA Sewer Revenue Bonds	<u>11,356</u>	6.25%
Total	<u>\$ 94,586</u>	

The Sewer System Mortgage Revenue Bonds were originally issued in 1990 in the amount of \$240,000 for the purpose of improving, by construction and extension, the sanitary sewer collection, treatment and disposal system of the Village. This note is a direct obligation of the Village for which its full faith, credit and resources are pledged and is payable from the revenue generated by the sewer department.

The Fire Truck note was taken out to purchase a fire truck. This note is a direct obligation of the Village for which its full faith, credit and resources are pledged from the Fire Apparatus fund.

The Ohio Water Development Authority (OWDA) loan relates to the construction of a waste water facility. The OWDA approved \$334,795 in loans to the Village for this project. Of this total amount, \$325,000 was issued in 1969 and \$9,795 was issued in 1979. The loans will be repaid in semiannual installments of \$12,241, including interest, over 35 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The aggregate amounts of long-term debt maturities for the four years following 2006 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 36,586	\$ 5,016	\$ 41,602
2008	\$ 18,000	\$ 2,594	\$ 20,594
2009	\$ 19,000	\$ 1,775	\$ 20,775
2010	<u>\$ 21,000</u>	<u>\$ 910</u>	<u>\$ 21,910</u>
Total	<u>\$ 94,586</u>	<u>\$ 10,295</u>	<u>\$ 104,881</u>

6. PENSION PLAN

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Ohio Public Employees Retirement System

All Village full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

6. PENSION PLAN (continued)

Ohio Public Employees Retirement System

- The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan;
- The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

PERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Village to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory Village for member and employer contributions. For 2006, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 9 percent for 2006 and 8.5 percent for 2005 of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Village was 13.70% for 2006 and 13.55% for 2005 of covered payroll. The Village's required contributions to OPERS for the fiscal years ended December 31, 2006, 2005, and 2004 were \$1,658, \$1,487, and \$1,429 respectively.

7. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

(Continued)

7. POST-EMPLOYMENT BENEFITS (continued)

Ohio Public Employees Retirement System

The Ohio Revised Code provides statutory Village for employer contributions. The 2006 and 2005 employer contribution rate were 13.70 percent and 13.55 percent of covered payroll, 4 percent was the portion that was used to fund health care for 2006.

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

At December 31, 2006, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 374,130. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2005 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2006. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**VILLAGE OF BELOIT
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

(Continued)

8. RISK MANAGEMENT

Commercial Insurance

The Village is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During fiscal year 2005 and 2006, the Village contracted with private carriers for property and fleet insurance for the following:

- Blanket Building and Personal Property - Vehicles
- Boiler and Machinery
- General Liability
- Public Officials Liability
- Employee Benefits Liability

Settled claims have not exceeded the commercial coverage in any of the past three years.

9. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.



Kevin L.
enn, Inc.

Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Village of Beloit
Mahoning County
17893 5th Street
P.O. Box 276
Beloit, Ohio 44609

I have audited the financial statements of Village of Beloit as of and for the year ended December 31, 2005 and 2006, and have issued my report thereon dated August 22, 2008. I conducted my audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My report on the financial statements disclosed that, as described in Note 1 to the financial statements, the Village prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of Ohio, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Village of Beloit's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Beloit's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Village of Beloit's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Village of Beloit's ability to initiate, authorize, record, process, or report financial data reliably in accordance with a comprehensive basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Village of Beloit's financial statements that is more than inconsequential will not be prevented or detected by Village of Beloit's internal control. I consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. 2006-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Village of Beloit's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Beloit's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that I reported to management of Village of Beloit in a separate letter dated August 22, 2008.

The Village of Beloit's response to the finding identified in my audit is described in the accompanying schedule of findings. I did not audit the Village of Beloit's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

August 22, 2008

Village of Beloit
Mahoning County

Schedule of Findings
December 31, 2005 and 2006

Finding Related to the Financial Statements
Required to be Reported in Accordance with GAGAS

2006-1

Separation of Duties

Condition:

The Fiscal Officer, signs and issues checks; receives and makes deposits, and reconciles the bank accounts. The basic premise is that no one individual should have access to both physical assets the related accounting records or to various phases of a transaction. One of the most critical areas of separation is cash, where I noted that there is not proper separation of duties, pertaining to the handling incoming checks; preparation of the deposit slips; and the reviewing of the monthly bank accounts.

Criteria:

The following functions should be performed by individuals/board member who are totally independent:

- Issuing and signing checks
- Maintaining the accounting records
- Reviewing the bank statements
- Performing bank reconciliations
- Maintaining vendor statements and invoices

Effect:

Resulted in inadequate separation of duties.

Cause:

As a result of the number of staff employed by the Village, there is a limit to the extent of separation of duties.

Recommendation:

In order to improve internal controls, I recommend that a board member performs the following functions: 1) signs the checks; 2) reviews invoices before disbursements are made, and 3) receives the bank statements directly from the bank so they can be reviewed prior to the Fiscal Officer's performance of the bank reconciliation. By performing these procedures, the risk of an inadequate segregation of duties over cash transactions will be significant reduced.

Village of Beloit
Mahoning County

Schedule of Findings
December 31, 2005 and 2006

Finding Related to the Financial Statements
Required to be Reported in Accordance with GAGAS

Auditee's Response:

The Village will add members of the Finance Committee as additional authorized signers for checks that are written by the Village.

Village of Beloit
Mahoning County

Schedule of Prior Audit Findings
December 31, 2005 and 2006

There were no audit findings during the 2003 and 2004 audit.



Mary Taylor, CPA
Auditor of State

VILLAGE OF BELOIT

MAHONING 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
DECEMBER 24, 2008**