VILLAGE OF POWHATAN POINT
BELMONT COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005

Mary Taylor, CPA
Auditor of State

Village Council
Village of Powhatan Point
104 Mellott Street
Powhatan Point, Ohio 43942

We have reviewed the *Independent Accountants' Report* of the Village of Powhatan Point, Belmont County, prepared by Knox & Knox, CPAs, 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 Accountants' 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 Accountants' 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 Powhatan Point is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 10, 2008

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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VILLAGE OF POWHATAN POINT
BELMONT COUNTY

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Independent Accountants' Report

Village of Powhatan Point
Belmont County
104 Mellot Avenue
Powhatan Point, Ohio 43942

To the Village Council:

We have audited the accompanying financial statements of the Village of Powhatan Point, Belmont County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we 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, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. In addition to the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements. 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 GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial position and cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Powhatan Point, Powhatan County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements and reserves for encumbrances for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that reports describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards.* You should read it in conjunction with this report in considering the results of our audit.

Knox & Knox

Orrville, Ohio
December 27, 2007

VILLAGE OF POWHATAN POINT
BELMONT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types		
	General	Special Revenue	Totals (Memorandum Only)
CASH RECEIPTS:			
Property and Other Local Taxes	$35,779	$50,983	$86,762
Municipal Income Tax	160,761	$51,553	212,314
Intergovernmental	106,669	$224,069	330,738
Charges for Services		$66,287	66,287
Fines, Licenses, and Permits	20,987	4,480	25,467
Earnings on Investments	5,508	80	5,588
Miscellaneous	2,130	1,327	3,457
Total Cash Receipts	331,834	398,779	730,613
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	127,797	107,293	235,090
Public Health Services	4,881		4,881
Transportation		128,314	128,314
General Government	138,302	992	139,294
Debt Service:			
Principal Payments		50,639	50,639
Interest Payments		11,249	11,249
Capital Outlay		133,655	133,655
Total Cash Disbursements	270,980	432,142	703,122
Total Cash Receipts Over/(Under) Cash Disbursements	60,854	(33,363)	27,491
OTHER FINANCING RECEIPTS/DISBURSEMENTS:			
Sale of Fixed Assets		401	401
Transfers-In		5,970	5,970
Transfers-Out	(5,970)		(5,970)
Total Other Financing Receipts/(Disbursements)	(5,970)	6,371	401
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	54,884	(26,992)	27,892
Fund Cash Balances, January 1	200,960	104,021	304,981
FUND CASH BALANCES DECEMBER 31	$255,844	$77,029	$332,873
Reserves for Encumbrances: December 31	$779	$663	$1,442

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

VILLAGE OF POWHATAN POINT
BELMONT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	$ 439,572
Total Operating Cash Receipts	439,572
OPERATING CASH DISBURSEMENTS:	
Personal Services	106,369
Fringe Benefits	44,333
Contractual Services	108,948
Supplies and Materials	84,505
Other	800
Total Operating Cash Disbursements	344,955
Operating Income/(Loss)	94,617
NON-OPERATING CASH DISBURSEMENTS:	
Redemption of Debt Service Principal	(20,000)
Interest and Other Fiscal Charges	(5,337)
Capital Outlay	(8,696)
Total Non-Operating Cash Disbursements	(34,033)
Excess of Non-Operating Receipts (Under) Disbursements	(34,033)
Net Receipts (Under) Disbursements	60,584
Fund Cash Balances, January 1	159,660
FUND CASH BALANCES DECEMBER 31	$220,244

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

VILLAGE OF POWHATAN POINT
BELMONT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types		
	General	Special Revenue	Totals (Memorandum Only)
CASH RECEIPTS:			
Property and Other Local Taxes	$34,906	$49,620	$84,526
Municipal Income Tax	162,509	54,170	216,679
Intergovernmental	88,377	382,956	471,333
Charges for Services	100	82,467	82,567
Fines, Licenses, and Permits	36,145	7,765	43,910
Earnings on Investments	3,653	93	3,746
Miscellaneous	1,268	1,861	3,129
Total Cash Receipts	326,958	578,932	905,890
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	118,008	87,531	205,539
Public Health Services	4,792		4,792
Transportation		146,177	146,177
General Government	128,400	947	129,347
Debt Service:			
Principal Payments		58,703	58,703
Interest Payments		13,531	13,531
Capital Outlay		255,102	255,102
Total Cash Disbursements	251,200	561,991	813,191
Total Cash Receipts Over/(Under) Cash Disbursements	75,758	16,941	92,699
Fund Cash Balances, January 1	125,202	87,080	212,282
FUND CASH BALANCES DECEMBER 31	$200,960	$104,021	$304,981

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

VILLAGE OF POWHATAN POINT
BELMONT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	$ 431,493
Total Operating Cash Receipts	431,493
OPERATING CASH DISBURSEMENTS:	
Personal Services	113,438
Fringe Benefits	48,642
Contractual Services	109,437
Supplies and Materials	140,315
Other	1,239
Total Operating Cash Disbursements	413,071
Operating Income/(Loss)	18,422
NON-OPERATING CASH RECEIPTS:	
Debt Proceeds	230,000
Total Non-Operating Cash Receipts	230,000
NON-OPERATING CASH DISBURSEMENTS:	
Redemption of Debt Service Principal	(197,596)
Interest and Other Fiscal Charges	(3,065)
Capital Outlay	(95,846)
Total Non-Operating Cash Disbursements	(296,507)
Excess of Non-Operating Receipts (Under) Disbursements	(66,507)
Net Receipts (Under) Disbursements	(48,085)
Fund Cash Balances, January 1	207,745
FUND CASH BALANCES DECEMBER 31	$159,660

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Powhatan Point, Belmont 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 water and sewer utilities, park operations, fire and emergency medical services, and police services. The Village contracts with Switzerland Township, York Township and the Belmont County Commissioner's to provide fire protection and/or emergency medical services to these subdivisions. The Village is involved with the Bel-O-Mar Regional Council which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Note10.

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. 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

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

D. Fund Accounting

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

1. General Fund

The General fund 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 Funds

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. The Village had the following significant Special Revenue Funds:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

Fire and Emergency Fund - this fund receives property tax, fire and emergency contract, and emergency medical service revenues to operate the Village's volunteer fire department and emergency squad.

Federal Emergency Management Agency (FEMA) Fund - This fund receives grants to fund snow removal expenses and repair and replacement of various Village fixed assets damaged by landslides and flooding.

3. Enterprise Fund

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. The Village had the following significant Enterprise Fund:

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

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the office, department, and division level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

2. Estimated Resources

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process (continued)

3. Encumbrances

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

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. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2006	2005
Demand deposits	$263,117	$199,641
Savings account	200,000	200,000
Total deposits	$463,117	$399,641
U.S. Treasury Notes	90,000	65,000
Total deposits and investments	$553,117	$464,641

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

Investments: The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

3. BUDGETARY ACTIVITY

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

	2005 Budgeted vs. Actual Receipts		
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$267,850	$331,834	$63,984
Special Revenue	482,350	405,150	(77,200)
Enterprise	506,000	439,572	(66,428)
Total	$1,256,200	$1,176,556	($79,644)

	2006 Budgeted vs Actual Budgetary Basis Expenditures		
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$416,350	$277,729	$138,621
Special Revenue	574,900	432,805	142,095
Enterprise	630,100	378,988	251,112
Total	$1,621,350	$1,089,522	$531,828

	2005 Budgeted vs. Actual Receipts		
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$318,251	$326,958	$8,707
Special Revenue	645,810	578,932	(66,878)
Enterprise	951,499	661,493	(290,006)
Total	$1,915,560	$1,567,383	($348,177)

	2005 Budgeted vs Actual Budgetary Basis Expenditures		
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$370,850	$251,200	119,650
Special Revenue	693,650	561,991	131,659
Enterprise	1,087,400	709,578	377,822
Total	$2,151,900	$1,522,769	$629,131

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments for 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.

Tangible personal property tax is assessed by the property owner, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of three-quarters of 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 the Village.

Employer's within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

By Village ordinance, income tax revenues are to be used for general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities, and capital improvements.

6. DEBT

Debt outstanding at December 31, 2006, was as follows:

	Principal	Interest Rate
General Obligation (Ambulance and Fire Truck)	$163,779	3.15 % - .4.9%
General Obligation (Line of Credit)	60,000	7.75%
Total	$223,779	

The general obligation notes were issued to purchase a fire truck and an ambulance. The loans will be repaid in monthly and annual installments, including interest, over three to ten years. The general obligation notes are collateralized by the Village's taxing authority.

In 2005, the Village opened a line-of-credit with a local bank to be renewed annually.

Amortization of the above debt follows:

6. DEBT (continued)

Year ending December 31:	General Obligation (Ambulance) Principal	Interest	Total
2007	$30,486	$2,662	$33,148
2008	31,145	1,346	32,491
	$61,631	$4,008	$65,639

Year ending December 31:	General Obligation (Fire Truck) Principal	Interest	Total
2007	$23,735	$5,005	$28,740
2008	24,898	3,842	28,740
2009	26,118	2,622	28,740
2010	27,397	1,343	28,740
	$102,148	$12,812	$114,960

Year ending December 31:	General Obligation (Line-of-Credit) Principal	Interest	Total
2007	$60,000	$4,650	$64,650

7. RETIREMENT SYSTEMS

The Village’s law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS area 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.

Contributions rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, members contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants’ gross salaries. The Village has paid all contributions required through December 31, 2006.

8. RISK MANAGEMENT

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The government insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

8. RISK MANAGEMENT (continued)

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

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to $250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding $250,000, up to $1,750,000 per claim and $10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to $350,000 per occurrence, including loss adjustment expenses. Claims exceeding $350,000 are reinsured with APEEP in an amount not to exceed $2,650,000 for each claim and $10,000,000 in the aggregate per year. Governments can elect up to $10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to $5,000,000 per year, subject to a per-claim limit of $2,000,000 (for claims prior to January 1, 2006) or $3,000,000 (for claims after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage , up to $100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding $100,000 up to $500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding $250,000 up to $600 million per occurrence. APEEP reinsures members for specific losses exceeding $100,000 up to $250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop-loss is reached by payment of losses between $100,000 and $250,000, Travelers will reinsure specific losses exceeding $100,000 up to their $600 million per occurrence limit. The aggregate stop-loss limit for 2006 was $1,901,127.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

8. RISK MANAGEMENT (continued)

Casualty Coverage	2006	2005
Assets	$30,997,868	$29,719,675
Liabilities	(15,875,741)	(15,994,168)
Retained Earnings	$15,122,127	$13,725,507

Property Coverage	2006	2005
Assets	$5,125,326	$4,443,332
Liabilities	(863,163)	(1,068,245)
Retained Earnings	$4,262,163	$3,375,087

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately $14.4 million and $14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately $14.4 million and $14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

Based on the discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. CONTINGENT LIABILITIES

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

10. JOINTLY GOVERNED ORGANIZATION

Bol-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by each local government within Belmont County. The Council is not dependent upon the Village of Powhatan point for its continued existence, no debt exists, and the Village does not maintain an equity interest. During 2006 and 2005, the Village made two payment of $488 each to Bel-O-Mar.

11. SUBSEQUENT EVENT

On February 2, 2007, the Village borrowed $40,042 from a local financial institution to purchase equipment.

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KNOX & KNOX

Accountants and Consultants

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

Village of Powhatan Point
Belmont County
104 Mellott Street
Powhatan Point, Ohio 43942

To the Village Council:

We have audited the accompanying financial statements of the Village of Powhatan Point, Belmont County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated December 27, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village 's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our 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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we noted other matters that we communicated to the Village's management in a separate letter dated December 27, 2007.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards* .

We intend this report solely for the information and use of the audit committee, management and Village Council. We intend it for no one other than these specified parties.

KNOX & KNOX

Orrville, Ohio
December 27, 2007

VILLAGE OF POWHATAN POINT
BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; *Explain:*
2004-01	Finding for Recovery	Yes	Amount was paid.
2004-02	Ohio Rev. Code Section 5705.41 (D) for not certifying available funds.	Yes	Finding is no longer valid.
2004-03	Inaccurate posting of appropriations and estimated revenues.	Yes	Finding is no longer valid.

Mary Taylor, CPA
Auditor of State

VILLAGE OF POWHATAN POINT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 20, 2008

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us