

VILLAGE OF POWHATAN POINT

BELMONT COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2012 and 2011





Dave Yost • Auditor of State

Village Council
Village of Powhatan Point
104 Mellot Avenue
Powhatan Point, Ohio 43942

We have reviewed the *Independent Auditors' Report* of the Village of Powhatan Point, Belmont County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2012. 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.

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 25, 2013

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VILLAGE OF POWHATAN POINT
BELMONT COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2012 and 2011

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

To Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Powhatan Point, Belmont County (the Village) as of and for the years ended December 31, 2011 and 2012.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2011 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

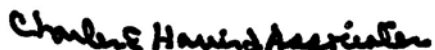
In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Powhatan Point, Belmont County as of December 31, 2011 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 11 to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2013, 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.



Charles E. Harris & Associates, Inc.
July 12, 2013

VILLAGE OF POWHATAN POINT
 BELMONT COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2012

	<u>Governmental Fund Types</u>		<u>(Memorandum Only) Total</u>
	<u>General</u>	<u>Special Revenue</u>	
RECEIPTS:			
Property and Local Taxes	\$ 37,766	\$ 77,558	\$ 115,324
Municipal Income Taxes	177,771	56,575	234,346
Intergovernmental	118,900	107,030	225,930
Charges for Services	-	42,782	42,782
Fines, Licenses and Permits	13,642	2,893	16,535
Earnings on Investments	1,299	486	1,785
Miscellaneous	2,607	2,420	5,027
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	351,985	289,744	641,729
DISBURSEMENTS:			
Current:			
Security of Persons and Property	168,152	157,166	325,318
Public Health Services	4,879	-	4,879
Transportation	-	160,182	160,182
General Government	163,937	1,023	164,960
Capital Outlay	40,500	44,159	84,659
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Total Cash Disbursements	377,468	362,530	739,998
Cash Receipts Over/(Under) Cash Disbursements	(25,483)	(72,786)	(98,269)
Other Financing Sources (Uses):			
Transfers-In	-	37,527	37,527
Transfers-Out	(32,000)	(5,527)	(37,527)
Advances-In	-	1,100	1,100
Advances-Out	(1,100)	-	(1,100)
Other Financing Uses	(9)	-	(9)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(33,109)	33,100	(9)
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	(58,592)	(39,686)	(98,278)
Fund Cash Balances, January 1, 2012	210,458	210,845	421,303
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Fund Cash Balances, December 31, 2012			
Restricted	-	171,159	171,159
Unassigned	151,866	-	151,866
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, December 31, 2012	\$ 151,866	\$ 171,159	\$ 323,025

See Accompanying Notes to the Financial Statements

**VILLAGE OF POWHATAN POINT
 BELMONT COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN FUND CASH BALANCES
 ALL PROPRIETARY FUND TYPES
 For the Year Ended December 31, 2012**

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$ <u>642,058</u>
Total Operating Cash Receipts	642,058
OPERATING CASH DISBURSEMENTS:	
Personal Services	159,268
Fringe Benefits	55,040
Contractual Services	87,489
Materials and Supplies	156,287
Other	<u>500</u>
Total Operating Cash Disbursements	<u>458,584</u>
Excess of Operating Cash Receipts Over/(Under) Operating Cash Disbursements	183,474
NON OPERATING CASH RECEIPTS (DISBURSEMENTS):	
Miscellaneous Receipts	14,806
Principal Retirement	(24,490)
Capital Outlay	<u>(97,118)</u>
Total Non Operating Cash Receipts (Disbursements)	<u>(106,802)</u>
Net Cash Receipts Over/(Under) Cash Disbursements	76,672
Fund Cash Balance, January 1, 2012	<u>342,517</u>
Fund Cash Balance, December 31, 2012	\$ <u>419,189</u>

See Accompanying Notes to the Financial Statements

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2011**

	<u>Governmental Fund Types</u>		(Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
RECEIPTS:			
Property and Local Taxes	\$ 38,890	\$ 55,366	\$ 94,256
Municipal Income Taxes	139,856	43,714	183,570
Intergovernmental	179,613	99,002	278,615
Charges for Services	-	51,626	51,626
Fines, Licenses and Permits	17,562	5,450	23,012
Earnings on Investments	1,966	929	2,895
Miscellaneous	7,000	1,120	8,120
Total Cash Receipts	384,887	257,207	642,094
DISBURSEMENTS:			
Current:			
Security of Persons and Property	166,266	84,181	250,447
Public Health Services	5,294	-	5,294
Transportation	-	152,681	152,681
General Government	108,708	1,077	109,785
Capital Outlay	45,608	5,935	51,543
Debt Service:			
Retirement of Principal	-	1,836	1,836
Interest and Fiscal Charges	-	27	27
Total Cash Disbursements	325,876	245,737	571,613
Cash Receipts Over/(Under) Cash Disbursements	59,011	11,470	70,481
Other Financing Sources (Uses):			
Transfers-In	-	25,000	25,000
Transfers-Out	(25,000)	-	(25,000)
Other Financing Uses	(657)	-	(657)
Total Other Financing Sources (Uses)	(25,657)	25,000	(657)
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	33,354	36,470	69,824
Fund Cash Balances, January 1, 2011	177,104	174,375	351,479
Fund Cash Balances, December 31, 2011			
Restricted	-	210,845	210,845
Unassigned	210,458	-	210,458
Fund Cash Balance, December 31, 2011	\$ 210,458	\$ 210,845	\$ 421,303

See Accompanying Notes to the Financial Statements

**VILLAGE OF POWHATAN POINT
 BELMONT COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN FUND CASH BALANCES
 ALL PROPRIETARY FUND TYPES
 For the Year Ended December 31, 2011**

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$ <u>561,809</u>
Total Operating Cash Receipts	561,809
OPERATING CASH DISBURSEMENTS:	
Personal Services	160,085
Fringe Benefits	53,563
Contractual Services	101,098
Materials and Supplies	132,421
Other	<u>300</u>
Total Operating Cash Disbursements	<u>447,467</u>
Excess of Operating Cash Receipts Over/(Under) Operating Cash Disbursements	114,342
NON OPERATING CASH RECEIPTS (DISBURSEMENTS):	
Miscellaneous Receipts	9,415
Proceeds of Loan	116,718
Principal Retirement	(24,514)
Capital Outlay	<u>(174,536)</u>
Total Non Operating Cash Receipts (Disbursements)	<u>(72,917)</u>
Net Cash Receipts Over/(Under) Cash Disbursements	41,425
Fund Cash Balance, January 1, 2011	<u>301,092</u>
Fund Cash Balance, December 31, 2011	\$ <u><u>342,517</u></u>

See Accompanying Notes to the Financial Statements

VILLAGE OF POWHATAN POINT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

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 Note 10.

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

B. **BASIS OF ACCOUNTING**

The Village prepares its financial statements following 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.)

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

C. **CASH AND INVESTMENTS**

Investments are recorded 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.

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 needs 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, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

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.

VILLAGE OF POWHATAN POINT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

D. **FUND ACCOUNTING** (continued)

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

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

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.

Capital Projects: These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project funds:

Grant Construction Fund – This fund received loan proceeds for waterline replacement.

Proprietary Fund Types:

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. The Village had the following significant Enterprise funds:

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

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

VILLAGE OF POWHATAN POINT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS

1. Appropriations

Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve the appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 5.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay 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.

H. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

VILLAGE OF POWHATAN POINT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. FUND BALANCE (continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

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.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and investment 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:

	2012	2011
Demand Deposits	\$ 452,214	\$ 473,820
Savings Account	200,000	200,000
Certificates of Deposit	90,000	90,000
Total deposits and investments	\$ 742,214	\$ 763,820

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the Village. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Belmont County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the Village was completed in 2010. The next update is scheduled for 2013.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) received during calendar year 2012 represent the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied April 1, 2011 on the values listed as of December 31, 2010. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Belmont County Treasurer collects property taxes on behalf of the Village. The Belmont County Auditor remits the collected taxes to the Village. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

4. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 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 the Village either quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2012 as follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 400,000	\$ 384,887	\$ (15,113)
Special Revenue	304,000	282,207	(21,793)
Enterprise	655,000	687,942	32,942

2011 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 425,000	\$ 351,533	\$ 73,467
Special Revenue	418,500	245,737	172,763
Capital Projects	225,000	-	225,000
Enterprise	653,000	646,517	6,483

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 400,000	\$ 351,985	\$ (48,015)
Special Revenue	317,500	328,371	10,871
Enterprise	705,000	656,864	(48,136)

2012 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 425,000	\$ 410,577	\$ 14,423
Special Revenue	474,500	368,057	106,443
Capital Projects	225,000	-	225,000
Enterprise	703,000	580,192	122,808

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

6. RETIREMENT SYSTEM

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 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.

Contributions rates are also prescribed by the Ohio Revised Code. For 2012 and 2011, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 10% of their gross pay while the Village contributed an amount equal to 14% of covered payroll. The Village paid all required contributions through December 31, 2012.

7. RISK MANAGEMENT

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village 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. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

VILLAGE OF POWHATAN POINT
 BELMONT COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2012 and 2011

7. RISK MANAGEMENT (continued)

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$22,000.

Based on 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.

Contributions to PEP

2011	\$24,233
2012	\$25,134

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. 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.

8. DEBT

Debt outstanding at December 31, 2012 is as follows:

<u>Description</u>	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan - 5280	\$ 440,890	0.00%
	<u>\$ 440,890</u>	

The Ohio Water Development Authority (OWDA) loan #5280 relates to the water line replacement. The Village financed \$811,825. \$320,000 of the loan was reduced through an ARRA Principal Forgiveness Grant. The Village makes semi-annual payments of \$12,245. The loan has a maturity date of July 1, 2030. The loan is collateralized by utility receipts and the full faith and credit of the Village.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

8. DEBT (continued)

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

Year Ended:	OWDA Loan #5280
2013	\$ 24,490
2014	24,490
2015	24,490
2016	24,490
2017	24,490
2018-2022	122,450
2023-2027	122,450
2028-2030	73,540
Total	\$ 440,890

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

10. JOINTLY GOVERNED ORGANIZATION

Belomar 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 2012, the Village contributed \$1,151 to Belomar Regional Council. There were no contributions during 2011.

11. CHANGE IN ACCOUNTING PRINCIPLE

In 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

12. NONCOMPLIANCE

Contrary to Ohio Revised Code Section 5705.39, the Village had appropriations over estimated resources in various funds.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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 Mellot Avenue
Powhatan Point, Ohio 43942

To 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 Village of Powhatan Point, Belmont County (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated July 12, 2013, wherein we noted the Village followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

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 a 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. We consider finding 2012-PPBC-01 described in the accompanying schedule of findings to be a material weakness.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2012-PBBC-02.

Entity's Responses 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.



Charles E. Harris and Associates, Inc.

July 12, 2013

VILLAGE OF POWHATAN POINT
BELMONT COUNTY

SCHEDULE OF FINDINGS
December 31, 2012 and 2011

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

Finding Number 2012-PPBC-01 Material Weakness

The Village of Powhatan Point had obtained a loan in 2009 through the Ohio Water Development Authority (OWDA). During 2011, the Village continued to draw down on the loan via disbursements that were paid directly to contractors. The amount issued in 2011 was \$116,718. The Village did not record these proceeds of the loan nor the capital outlay in their books. This activity was adjusted in the financial statements.

We recommend that the Village properly record all direct payments of loans in the financial statements with a corresponding entry to capital outlay.

Management's Response:

We can assure any and all parties that the Village will take proper and appropriate measures in the future to record all direct payment of loans in the proper manner. Internal mechanisms are being implemented immediately in order to avoid any such further misclassifications.

Finding Number 2012-PPBC-02 – Non-Compliance Citation

Ohio Revised Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

At December 31, 2012, the following funds' appropriations exceeded total estimated resources:

Special Revenue Funds:

- Street Construction M & R Fund (\$24,037)
- Mayor's Court Computer Fund (\$2,187)
- Building Construction & Improvements Fund (\$2,643)
- Police Pension & Disability Fund (\$6,603)
- K-9 Fund (\$523)

Capital Projects Fund:

- Issue II/Small Government/Emergency Funding Fund (\$225,000)

VILLAGE OF POWHATAN POINT
BELMONT COUNTY

SCHEDULE OF FINDINGS – (continued)
December 31, 2012 and 2011

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)</p>
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Finding Number 2012-PPBC-02 – Non-Compliance Citation – (continued)

At December 31, 2011, the following funds' appropriations exceeded total estimated resources:

Special Revenue Funds:

Mayor's Court Computer Fund (\$1,170)
Police Pension & Disability Fund (\$7,765)

Capital Projects Fund:

Issue II/Small Government/Emergency Funding Fund (\$225,000)

Management's Response:

Management understands that they need to apply for an amended certificate of estimated resources when they receive additional funds.

**VILLAGE OF POWHATAN POINT
BELMONT COUNTY, OHIO
For the Years Ending December 31, 2012 and 2011**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-PPBC-01	ORC 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the Village certifies that the funds are available.	Yes	Finding no longer valid.
2010-PPBC-02	ORC 5705.39, total appropriations from each fund not exceed total estimated fund resources.	No	Not corrected. Reissued as finding 2012-PPBC-02
2010-PPBC-03	Village improper posting of debt proceeds and principal payments	No	Not corrected. Reissued as finding 2012-PPBC-01
2010-PPBC-04	ORC 5705.41 (B) no subdivision shall make any expenditure of money unless it has been appropriated.	Yes	Finding no longer valid.



Dave Yost • 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
OCTOBER 8, 2013**