



**Auditor of State
Betty Montgomery**

VILLAGE OF BELMONT
BELMONT COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Belmont
Belmont County
P.O. Box 68
Belmont, Ohio 43718

To the Village Council:

We have audited the accompanying financial statements of the Village of Belmont, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. 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 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Belmont, Belmont County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Belmont
Belmont County
Independent Accountants' Report
Page 2

This report is intended for the information and use of the audit committee, management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 12, 2003

**VILLAGE OF BELMONT
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, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$9,281	\$16,619	\$25,900
Special Assessments	14,808		14,808
Intergovernmental Receipts	71,759	57,072	128,831
Charges for Services	40,903	12,545	53,448
Fines, Licenses, and Permits	3,663		3,663
Earnings on Investments	1,281	2,227	3,508
Miscellaneous	6,429		6,429
	<u>148,124</u>	<u>88,463</u>	<u>236,587</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	61,868	14,212	76,080
Public Health Services	2,037	1,800	3,837
Leisure Time Activities	20,455		20,455
Transportation		24,208	24,208
General Government	45,521	267	45,788
Debt Service:			
Principal Payments		8,856	8,856
Interest Payments		2,964	2,964
Capital Outlay		187,124	187,124
	<u>129,881</u>	<u>239,431</u>	<u>369,312</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>18,243</u>	<u>(150,968)</u>	<u>(132,725)</u>
Other Financing Receipts/(Disbursements):			
Loan Proceeds		132,840	132,840
Sale of Fixed Assets	7,110	1,000	8,110
Transfers-In		12,000	12,000
Transfers-Out	(12,000)		(12,000)
	<u>(4,890)</u>	<u>145,840</u>	<u>140,950</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	13,353	(5,128)	8,225
Fund Cash Balances, January 1	<u>149,566</u>	<u>157,521</u>	<u>307,087</u>
Fund Cash Balances, December 31	<u>\$162,919</u>	<u>\$152,393</u>	<u>\$315,312</u>
Reserves for Encumbrances, December 31	<u>\$2,567</u>	<u>\$0</u>	<u>\$2,567</u>

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

VILLAGE OF BELMONT
BELMONT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary	Fiduciary		Totals (Memorandum Only)
	Fund Types	Fund Types		
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$64,393	\$	\$	\$64,393
Mayor's Court			\$5,057	5,057
Earnings on Investments		1,634		1,634
Total Operating Cash Receipts	64,393	1,634	5,057	71,084
Operating Cash Disbursements:				
Personal Services	9,882			9,882
Contractual Services	47,447	3,850		51,297
Supplies and Materials	12,108			12,108
Mayor's Court			5,057	5,057
Total Operating Cash Disbursements	69,437	3,850	5,057	78,344
Operating Income/(Loss)	(5,044)	(2,216)	0	(7,260)
Non-Operating Cash Receipts:				
Earnings on Investments	4,846			4,846
Property Tax and Other Local Taxes	238			238
Total Non-Operating Cash Receipts	5,084	0	0	5,084
Non-Operating Cash Disbursements:				
Debt Service	1,850			1,850
Total Non-Operating Cash Disbursements	1,850	0	0	1,850
Net Receipts Over/(Under) Disbursements	(1,810)	(2,216)	0	(4,026)
Fund Cash Balances, January 1	210,792	45,375	0	256,167
Fund Cash Balances, December 31	\$208,982	\$43,159	\$0	\$252,141

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

**VILLAGE OF BELMONT
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, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$9,092	\$16,305	\$25,397
Intergovernmental Receipts	65,776	27,557	93,333
Charges for Services	35,316	16,354	51,670
Fines, Licenses, and Permits	792		792
Earnings on Investments	2,553	3,608	6,161
Miscellaneous	13,364		13,364
Total Cash Receipts	<u>126,893</u>	<u>63,824</u>	<u>190,717</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	58,037	9,110	67,147
Public Health Services	1,276	5,100	6,376
Leisure Time Activities	30,173		30,173
Transportation		20,862	20,862
General Government	38,111		38,111
Debt Service			
Principal Payments		307	307
Total Cash Disbursements	<u>127,597</u>	<u>35,379</u>	<u>162,976</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(704)</u>	<u>28,445</u>	<u>27,741</u>
Fund Cash Balances, January 1	<u>150,270</u>	<u>129,076</u>	<u>279,346</u>
Fund Cash Balances, December 31	<u>\$149,566</u>	<u>\$157,521</u>	<u>\$307,087</u>
Reserves for Encumbrances, December 31	<u>\$4,376</u>	<u>\$0</u>	<u>\$4,376</u>

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

VILLAGE OF BELMONT
BELMONT COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$62,626	\$	\$	\$62,626
Mayor's Court			1,125	1,125
Earnings on Investments		2,048		2,048
Miscellaneous	84			84
	<u>62,710</u>	<u>2,048</u>	<u>1,125</u>	<u>65,883</u>
Total Operating Cash Receipts				
Operating Cash Disbursements:				
Personal Services	10,261			10,261
Contractual Services	30,942			30,942
Supplies and Materials	4,781			4,781
Mayor's Court			1,125	1,125
	<u>45,984</u>	<u>0</u>	<u>1,125</u>	<u>47,109</u>
Total Operating Cash Disbursements				
Operating Income/(Loss)	16,726	2,048	0	18,774
	<u>16,726</u>	<u>2,048</u>	<u>0</u>	<u>18,774</u>
Non-Operating Cash Receipts:				
Earnings on Investments	8,625			8,625
	<u>8,625</u>	<u>0</u>	<u>0</u>	<u>8,625</u>
Total Non-Operating Cash Receipts				
Non-Operating Cash Disbursements:				
Debt Service	1,850			1,850
	<u>1,850</u>	<u>0</u>	<u>0</u>	<u>1,850</u>
Total Non-Operating Cash Disbursements				
Net Receipts Over/(Under) Disbursements	23,501	2,048	0	25,549
	<u>23,501</u>	<u>2,048</u>	<u>0</u>	<u>25,549</u>
Fund Cash Balances, January 1	187,291	43,327	0	230,618
	<u>187,291</u>	<u>43,327</u>	<u>0</u>	<u>230,618</u>
Fund Cash Balances, December 31	<u>\$210,792</u>	<u>\$45,375</u>	<u>\$0</u>	<u>\$256,167</u>

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

**VILLAGE OF BELMONT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Belmont, 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 utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. 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

Certificates of deposit are valued at cost

D. Fund Accounting

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

1. General Fund

The General Fund 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. The Village had the following significant Special Revenue Funds:

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

Fire Levy Fund -This fund receives government assessed taxes and loan proceeds to provide equipment for the Village volunteer fire department.

**VILLAGE OF BELMONT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. 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 Fund:

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

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Perkins Belmont Cemetery Trust Fund – This nonexpendable trust fund receives interest from a certificate of deposit with the interest to be used for mowing and trimming grass, tree removal, and maintaining the Perkins family grave plot.

Mayor's Court Fund – This Agency fund receives fine monies, court costs, and fees that are held pending distribution in accordance with statutory specifications or as directed by the court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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. 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.

**VILLAGE OF BELMONT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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 carried over, and need not be reappropriated.

A summary of 2002 and 2001 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.

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$315,953	\$323,754
Certificates of deposit	251,500	239,500
Total deposits	\$ 567,453	\$ 563,254

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

At December 31, 2002, \$194,610 was uncollateralized.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001, follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$137,675	\$155,234	\$17,559
Special Revenue	80,956	234,303	153,347
Enterprise	72,084	69,477	(2,607)
Fiduciary	2,110	1,634	(476)
Total	\$292,825	\$460,648	\$167,823

**VILLAGE OF BELMONT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$217,626	\$144,448	\$73,178
Special Revenue	182,174	239,431	(57,257)
Enterprise	127,000	71,287	55,713
Fiduciary	3,850	3,850	0
Total	<u>\$530,650</u>	<u>\$459,016</u>	<u>\$71,634</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$128,655	\$126,893	(\$1,762)
Special Revenue	77,657	63,824	(13,833)
Enterprise	73,020	71,335	(1,685)
Fiduciary	2,312	2,048	(264)
Total	<u>\$281,644</u>	<u>\$264,100</u>	<u>(\$17,544)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$202,740	\$131,973	\$70,767
Special Revenue	145,000	35,379	109,621
Enterprise	118,500	47,834	70,666
Fiduciary	3,500	0	3,500
Total	<u>\$469,740</u>	<u>\$215,186</u>	<u>\$254,554</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority within the Fire Levy, Community Development Block Grant, and total Special Revenue funds by \$97,053, 29,284, and \$57,257, respectively, for the year ended December 31, 2002. Also contrary to Ohio law, at December 31, 2002, the Fire Levy fund had appropriations in excess of estimated revenues by \$27,562.

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, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, 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.

**VILLAGE OF BELMONT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$1,850	0.00%
WesBanco Loan	123,984	3.50%
Total	<u>\$125,834</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water plant expansion project which occurred in 1997. The loan of \$18,500 will be repaid in annual installments of \$1,850, interest free, over 8 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The WesBanco loan relates to the purchase of a new tanker truck for the Village Fire Department. This loan, issued in 2002 for \$132,840 is to be paid over a 15 year period, will be repaid in semiannual installments of \$4,428, at a fixed 3.5% interest rate for the first three years then fluctuating annually at 70% of WesBanco's Prime Rate. The Village assumes that the future interest rate after the three year period will be 3.5% and has been used to calculate future interest payments. The fire truck is pledged as collateral.

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

	<u>OWDA Loan</u>	<u>WesBanco Loan</u>
Year ending December 31:		
2003	\$1,850	\$13,289
2004		13,289
2005		13,289
2006		13,289
2007		13,289
2008-2012		66,445
2013-2017		53,156
Total	<u>\$1,850</u>	<u>\$186,046</u>

6. RETIREMENT SYSTEMS

The Village Council, Clerk/Treasurer, law enforcement officers, and other employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

**VILLAGE OF BELMONT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

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 insurance for its members. PEP is a member of the American Public 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 members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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.

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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$20,174,977	\$19,358,458
Liabilities	<u>(8,550,749)</u>	<u>(8,827,588)</u>
Retained earnings	<u>\$11,624,228</u>	<u>\$10,530,870</u>
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$2,565,408	\$1,890,323
Liabilities	<u>(655,318)</u>	<u>(469,100)</u>
Retained earnings	<u>\$1,910,090</u>	<u>\$1,421,223</u>

**VILLAGE OF BELMONT
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

8. SUBSEQUENT EVENTS

On March 4, 2003, the Village secured a personal loan from the Village Solicitor in the amount of \$127,000, at 5.5%. These proceeds were used to pay the costs associated with the planning and design of the Sanitary Sewer Improvement Project of the Village.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Belmont
Belmont County
P.O. Box 68
Belmont, Ohio 43718

To the Village Council:

We have audited the accompanying financial statements of the Village of Belmont, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 12, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 12, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 12, 2003.

Village of Belmont
Belmont County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 12, 2003

**VILLAGE OF BELMONT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code § 135.18 requires the Clerk/Treasurer of a political subdivision to require their depositories to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

At December 31, 2002, the Village had uninsured deposits of \$194,610.

We recommend the Village review the pledged collateral statements received from its financial institution and evaluate whether sufficient funds are pledged to cover deposits on hand.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Rev. Code § 5705.39 prohibits a political subdivision or taxing unit from making a fund appropriation in excess of the estimated resources available for expenditure from that fund as certified by the County Budget Commission on the official certificate of estimated resources. The following Special Revenue fund was in noncompliance for 2002:

Fund	Appropriations	Estimated Resources	Noncompliance
Fire Levy Fund	\$72,874	\$45,312	\$27,562

We recommend the Village Council limit appropriations to amounts certified as available for appropriations.

FINDING NUMBER 2002-003

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been properly appropriated. The following Special Revenue Funds had budgetary expenditures in excess of appropriations at the defined legal level of control at December 31, 2002:

Fund/Function	Appropriations	Budgetary Expenditures	Noncompliance
Fire Levy Fund - Capital Outlay	\$72,874	\$169,927	\$97,053
Community Development Block Grant Fund (CDBG) - Capital Outlay	\$0	\$29,284	\$29,284

**VILLAGE OF BELMONT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2002-003
(Continued)**

Noncompliance Citation (Continued)

Ohio Rev. Code § 5705.41(B) (Continued)

The noncompliance is attributed to the Village not budgeting loan proceeds/disbursements received within the Fire Levy Fund and not recording the on-behalf payments made by the Belmont County Commissioners in the CDBG Fund.

The Clerk/Treasurer should deny payments exceeding appropriations. The Clerk/Treasurer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.



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VILLAGE OF BELMONT

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
AUGUST 7, 2003**