

***VILLAGE OF POWHATAN POINT***

***BELMONT COUNTY, OHIO***

**AUDIT REPORT**

**For the Years Ended December 31, 2014 and 2013**







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Powhatan Point, Belmont County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2014. 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

October 28, 2105

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**VILLAGE OF POWHATAN POINT**  
**BELMONT COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2014 and 2013**

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**INDEPENDENT AUDITOR'S REPORT**

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

To the 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, 2014 and 2013.

***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(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no 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(D), 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.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

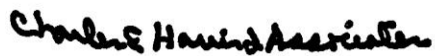
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, 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, 2014 and 2013, 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(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2015, 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 22, 2015

**VILLAGE OF POWHATAN POINT  
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 39,999	\$ 56,168	\$ 96,167
Municipal Income Tax	190,387	85,013	275,400
Intergovernmental	136,230	109,886	246,116
Charges for Services	-	65,904	65,904
Fines, Licenses and Permits	22,029	6,238	28,267
Earnings on Investments	825	149	974
Miscellaneous	16,772	4,671	21,443
<i>Total Cash Receipts</i>	<u>406,242</u>	<u>328,029</u>	<u>734,271</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	144,457	89,109	233,566
Public Health Services	4,688	-	4,688
Transportation	-	143,209	143,209
General Government	130,013	1,150	131,163
Capital Outlay	221,588	35,602	257,190
<i>Total Cash Disbursements</i>	<u>500,746</u>	<u>269,070</u>	<u>769,816</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(94,504)	58,959	(35,545)
<b>Other Financing Receipts (Disbursements)</b>			
Other Debt Proceeds	31,000	-	31,000
<i>Total Other Financing Receipts (Disbursements)</i>	31,000	-	31,000
Extraordinary Item (Note 11)	166,334	-	166,334
<i>Net Change in Fund Cash Balances</i>	102,830	58,959	161,789
<i>Fund Cash Balances, January 1</i>	<u>122,899</u>	<u>171,623</u>	<u>294,522</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	230,582	230,582
Assigned	1,527	-	1,527
Unassigned	224,202	-	224,202
<i>Fund Cash Balances, December 31</i>	<u>\$ 225,729</u>	<u>\$ 230,582</u>	<u>\$ 456,311</u>

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



**VILLAGE OF POWHATAN POINT  
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Types Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 661,304
<i>Total Operating Cash Receipts</i>	661,304
<b>Operating Cash Disbursements</b>	
Personal Services	181,805
Fringe Benefits	55,637
Contractual Services	113,616
Supplies and Materials	181,267
Other	700
<i>Total Operating Cash Disbursements</i>	<u>533,025</u>
<i>Operating Income (Loss)</i>	128,279
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental Receipts	62,700
Miscellaneous	38,039
Capital Outlay	(150,451)
Principal Retirement	<u>(24,490)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(74,202)</u>
<i>Net Change in Fund Cash Balance</i>	54,077
<i>Fund Cash Balances, January 1</i>	<u>467,977</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 522,054</u>

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

**VILLAGE OF POWHATAN POINT  
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 40,345	\$ 56,328	\$ 96,673
Municipal Income Tax	149,424	47,196	196,620
Intergovernmental	79,247	100,909	180,156
Charges for Services	10,105	40,153	50,258
Fines, Licenses and Permits	13,132	3,318	16,450
Earnings on Investments	1,222	216	1,438
Miscellaneous	13,556	6,523	20,079
<i>Total Cash Receipts</i>	<u>307,031</u>	<u>254,643</u>	<u>561,674</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	162,709	94,064	256,773
Public Health Services	4,881	-	4,881
Transportation	-	138,165	138,165
General Government	152,918	1,125	154,043
Capital Outlay	5,490	30,825	36,315
<i>Total Cash Disbursements</i>	<u>325,998</u>	<u>264,179</u>	<u>590,177</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(18,967)	(9,536)	(28,503)
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In	-	10,000	10,000
Transfers Out	(10,000)	-	(10,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(28,967)	464	(28,503)
<i>Fund Cash Balances, January 1</i>	<u>151,866</u>	<u>171,159</u>	<u>323,025</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	171,623	171,623
Unassigned	122,899	-	122,899
<i>Fund Cash Balances, December 31</i>	<u>\$ 122,899</u>	<u>\$ 171,623</u>	<u>\$ 294,522</u>

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

**VILLAGE OF POWHATAN POINT  
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Proprietary Fund Types Enterprise</b>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 670,571
<i>Total Operating Cash Receipts</i>	670,571
<b>Operating Cash Disbursements</b>	
Personal Services	175,159
Fringe Benefits	58,628
Contractual Services	121,230
Supplies and Materials	120,499
Other	1,325
<i>Total Operating Cash Disbursements</i>	476,841
<i>Operating Income (Loss)</i>	193,730
<b>Non-Operating Receipts (Disbursements)</b>	
Miscellaneous	3,218
Capital Outlay	(123,670)
Principal Retirement	(24,490)
<i>Total Non-Operating Receipts (Disbursements)</i>	(144,942)
<i>Net Change in Fund Cash Balance</i>	48,788
<i>Fund Cash Balances, January 1</i>	419,189
<i>Fund Cash Balances, December 31</i>	<u>\$ 467,977</u>

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

**Village of Powhatan Point  
Belmont County  
Notes to the Financial Statements  
December 31, 2014 and 2013**

**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 Village, York Village and the Belmont County Commissioner's to provide fire protection and/or emergency medical services to these subdivisions.

The Village belongs to the Ohio Government Risk Management Plan (The "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program. Note 8 to the financial statements provides additional information about this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

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

The Village values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

**Village of Powhatan Point  
Belmont County  
Notes to the Financial Statements (continued)  
December 31, 2014 and 2013**

**1. Summary of Significant Accounting Policies (continued)**

**D. Fund Accounting (continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than 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 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.

**3. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

**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 object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 Powhatan Point  
Belmont County  
Notes to the Financial Statements (continued)  
December 31, 2014 and 2013**

**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 individual commitments are made. Encumbrances outstanding at year end are carried forward to the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**F. 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.

**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 or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. 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.

**Village of Powhatan Point  
Belmont County  
Notes to the Financial Statements (continued)  
December 31, 2014 and 2013**

**1. Summary of Significant Accounting Policies (continued)**

**F. Fund Balance (continued)**

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.

**G. Property, Plant, and Equipment**

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

**H. 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 Deposits and Investments**

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

	2014	2013
Demand deposits	\$688,365	\$472,499
Savings Account	200,000	200,000
Certificate of deposit	90,000	90,000
Total deposits and investments	\$978,365	\$762,499

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Village of Powhatan Point  
Belmont County  
Notes to the Financial Statements (continued)  
December 31, 2014 and 2013**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$475,000	\$502,273	(\$27,273)
Special Revenue	473,000	269,730	203,270
Enterprise	798,000	710,424	87,576
Total	<u>\$1,746,000</u>	<u>\$1,482,427</u>	<u>\$263,573</u>

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$354,250	\$603,576	\$249,326
Special Revenue	313,300	328,029	14,729
Enterprise	665,500	762,043	96,543
Total	<u>\$1,333,050</u>	<u>\$1,693,648</u>	<u>\$360,598</u>

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$425,000	\$335,998	\$89,002
Special Revenue	452,000	264,179	187,821
Enterprise	703,000	625,001	77,999
Total	<u>\$1,580,000</u>	<u>\$1,225,178</u>	<u>\$354,822</u>

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$400,000	\$307,031	(\$92,969)
Special Revenue	319,500	264,643	(54,857)
Enterprise	715,000	673,789	(41,211)
Total	<u>\$1,434,500</u>	<u>\$1,245,463</u>	<u>(\$189,037)</u>

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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



**Village of Powhatan Point  
Belmont County  
Notes to the Financial Statements (continued)  
December 31, 2014 and 2013**

**5. Local Income Tax**

For 2013 through June 30, 2014, the Village levied a .75% municipal income tax 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. Starting July 1, 2014, this percentage was increased to 1%.

Employers 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.

**6. Debt**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
OWDA Loan # 5280	\$391,841	0.00%
USDA Loan # 97/03	31,000	4.00%
Total	\$422,841	

The beginning debt balance on the OWDA Loan # 5280 was overstated by \$69.

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.

The USDA approved a loan in the amount of \$31,000 to the Village to purchase street department equipment destroyed by a fire. The Village will repay the loan in yearly payment totaling \$3,823, including 4% interest, over 10 years.

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

	OWDA Loan	USDA Loan
Year ending December 31:		
2015	\$ 24,490	\$ 3,823
2016	24,490	3,823
2017	24,490	3,823
2018	24,490	3,823
2019	24,490	3,823
2020-2024	122,450	19,115
2025-2029	122,450	-
2030-2034	24,491	-
Total	\$ 391,841	\$ 38,230

**Village of Powhatan Point  
Belmont County  
Notes to the Financial Statements (continued)  
December 31, 2014 and 2013**

**7. Retirement Systems**

The Village's full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates.

For 2013 through June 30, 2014, OP&F participants contributed 10% of their wages. After July 1, 2014 this rate increased to 10.75%. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police officers' wages. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**8. 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 coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), 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, 2014, PEP retained \$350,000 for casualty claims and \$100,000 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 net position at December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

**Village of Powhatan Point  
Belmont County  
Notes to the Financial Statements (continued)  
December 31, 2014 and 2013**

**8. Risk Pool Membership (continued)**

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$21,000.

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.

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2014</u>
\$32,646	\$32,227

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.

**9. Contingent Liability/Subsequent Events**

Management believes there are no pending claims or lawsuits.

**10. Noncompliance**

- The Village did not properly encumber all commitments required by Ohio Revised Code §5705.41(D) in 2013 and 2014.
- Contrary to Ohio Revised Code §5705.41(B), the Village had expenditures in excess of appropriations in 2013 and 2014.
- Contrary to the Ohio Revised Code §5705.39 the Village had appropriations in excess of estimated resources in several funds in 2013 and 2014.

**11. Extraordinary Item**

The Village received \$166,334 from Public Entities Pool (PEP) for claims resulting from the street garage fire.

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

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**INDEPENDENT AUDITOR'S 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 the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Powhatan Point, Belmont County (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated July 22, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2014-002 through 2014-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 22, 2015.

***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 22, 2015

**VILLAGE OF POWHATAN POINT  
BELMONT COUNTY  
SCHEDULE OF FINDINGS  
December 31, 2014 and 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**Finding Number 2014-001 - Material Weakness**

During 2013, the Village erroneously recorded several transactions. The more significant adjustments are as follows:

- Recorded a grant receipt as miscellaneous receipts instead of intergovernmental receipts.
- Revenue generated by the police department for providing security at the school district was recorded as miscellaneous revenue instead of charges for services.
- Recorded a USDA loan as Intergovernmental receipts instead of Other Debt Proceeds

Adjustments were made in the financial statements and Village records.

The Village Officers' Handbook and the UAN accounting system provide suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned guidance will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

We recommend that the Village refer to the Village Officer's Handbook and UAN accounting system to properly classify its transactions. We also recommend the Fiscal Officer review all reports compiled by the computer software company to ensure their accuracy.

**Management Response:** Management is aware of the findings and will take appropriate measure to address these issues going forward.

**Finding Number 2014-002 – Noncompliance**

**Ohio Rev. Code 5705.41(D) – Purchase Orders**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

**VILLAGE OF POWHATAN POINT  
BELMONT COUNTY  
SCHEDULE OF FINDINGS - continued  
December 31, 2014 and 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued</b>
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**Finding Number 2014-002 – Noncompliance (continued)**

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The Village may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal years 2014 and 2013, 30% of purchase orders tested were not certified by the Village Clerk prior to incurring the obligation. The transactions had no evidence of the above mentioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s expenditures exceeding budgetary spending limitations, we recommend that the Village certify expenditures prior to incurring the liability. The exceptions noted above can be used to facilitate these procedures.

**Management Response:** See management response in finding 2014-001.

**Finding Number 2014-003 – Noncompliance (Appropriations Exceeding Estimated Resources)**

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, 2014, the following funds' appropriations exceeded total estimated resources:

Special Revenue Fund:

Police Equipment Fund (\$1,451)

Capital Projects Fund:

Issue II/Small Government/Emergency Funding Fund (\$200,000)

**VILLAGE OF POWHATAN POINT  
BELMONT COUNTY  
SCHEDULE OF FINDINGS - continued  
December 31, 2014 and 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued</b>
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**Finding Number 2014-003 – Noncompliance (Appropriations Exceeding Estimated Resources)  
(continued)**

At December 31, 2013, the following funds' appropriations exceeded total estimated resources:

Special Revenue Funds:

- Street Construction M & R Fund (\$16,703)
- Mayor's Court Computer Fund (\$2,994)
- Building Construction & Improvements Fund (\$2,157)
- Police Pension & Disability Fund (\$7,114)

Capital Projects Fund:

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

**Management Response:** See management response in finding 2014-001.

**Finding Number 2014-004 – Noncompliance (Disbursements Exceeding Appropriations)**

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated and unless it has been appropriated as provided in such chapter.

During the year ended December 31, 2014, the General Fund expenditures exceeded total appropriations by \$27,273. Also, the Sewer Surcharge Fund (Enterprise Fund) expenditures exceeded total appropriations by \$22,257.

We recommend that the Village monitor disbursements and appropriations and amend as necessary to avoid overspending.

**Management Response:** See management response in finding 2014-001.



VILLAGE OF POWHATAN POINT  
 BELMONT COUNTY, OHIO  
 For the Years Ending December 31, 2014 and 2013

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:
2012-PPBC-01	Village improper posting of debt proceeds and principal payments	No	Similar finding in 2014-001
2012-PPBC-02	ORC 5705.39, total appropriations from each fund not exceed total estimated fund resources.	No	Not corrected. Reissued as finding 2014-003

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# 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  
NOVEMBER 10, 2015**