



**Auditor of State  
Betty Montgomery**



**VILLAGE OF BELLE CENTER  
LOGAN COUNTY**

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT**

Village of Belle Center  
Logan County  
104 West Buckeye Street  
P.O. Box 508  
Belle Center, Ohio 43310-0508

To the Village Council:

We have audited the accompanying financial statements of the Village of Belle Center, Logan County (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 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 November 4, 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.

The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the December 31, 2001 financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, 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 script is cursive and fluid, with the first letters of each word being capitalized and prominent.

**Betty Montgomery**  
Auditor of State

November 4, 2003

**VILLAGE OF BELLE CENTER  
LOGAN 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>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$21,683		\$21,683
Municipal Income Taxes	106,285		106,285
Intergovernmental Receipts	13,884	30,483	44,367
Charges for Services	2,275		2,275
Fines, Licenses, and Permits	4,612		4,612
Interest	5,500	971	6,471
Miscellaneous	2,165		2,165
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	156,404	31,454	187,858
	<hr/>	<hr/>	
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	10,859		10,859
Leisure Time Activities	2,933		2,933
Community Environment	10,826		10,826
Basic Utility Services	706		706
Transportation	1,848	20,222	22,070
General Government	79,192		79,192
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	106,364	20,222	126,586
	<hr/>	<hr/>	
Total Receipts Over Disbursements	50,040	11,232	61,272
	<hr/>	<hr/>	
<b>Other Financing Receipts</b>			
Other Receipts	84		84
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	50,124	11,232	61,356
	<hr/>	<hr/>	
Fund Cash Balances January 1	215,105	57,291	272,396
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<u>\$265,229</u>	<u>\$68,523</u>	<u>\$333,752</u>
	<hr/>	<hr/>	
Reserves for Encumbrances, December 31	<u>\$1,910</u>	<u>\$510</u>	<u>\$2,420</u>

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

**VILLAGE OF BELLE CENTER  
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$280,654</u>
<b>Operating Cash Disbursements:</b>	
Personal Service	68,542
Employee Fringe Benefits	1,767
Contractual Services	41,714
Supplies and Materials	22,148
Miscellaneous	41,141
Capital Outlay	<u>150,395</u>
Total Operating Cash Disbursements	<u>325,707</u>
Operating (Loss)	(45,053)
<b>Non-Operating Cash Receipts:</b>	
Proceeds from Loans	<u>250,000</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Principal Payments	<u>12,500</u>
Net Receipts Over Disbursements	192,447
Fund Cash Balances, January 1	<u>188,785</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$381,232</u></u>
Reserve for Encumbrances, December 31	<u><u>\$2,841</u></u>

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



**VILLAGE OF BELLE CENTER  
LOGAN 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**

	<b>Governmental Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$21,278		\$21,278
Municipal Income Taxes	104,370		104,370
Intergovernmental Receipts	32,949	29,595	62,544
Charges for Services	2,100		2,100
Fines, Licenses, and Permits	4,109		4,109
Interest	5,975	1,054	7,029
Miscellaneous	4,760		4,760
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	175,541	30,649	206,190
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	10,859		10,859
Leisure Time Activities	9,761		9,761
Community Environment	15,406		15,406
Basic Utility Services	7,890		7,890
Transportation	3,705	15,946	19,651
General Government	94,104		94,104
Debt Service	2,509		2,509
Capital Outlay		943	943
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	144,234	16,889	161,123
Total Receipts Over Disbursements	31,307	13,760	45,067
<b>Other Financing Receipts</b>			
Advances Out	(400)		(400)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursements	30,907	13,760	44,667
Fund Cash Balances January 1	184,198	43,531	227,729
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<u>\$215,105</u>	<u>\$57,291</u>	<u>\$272,396</u>
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	<u>\$89</u>	<u>\$100</u>	<u>\$189</u>

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

**VILLAGE OF BELLE CENTER  
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

**Operating Cash Receipts:**

Charges for Services	<u>\$115,891</u>
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**Operating Cash Disbursements:**

Personal Service	61,891
Employee Fringe Benefits	820
Contractual Services	34,060
Supplies and Materials	13,320
Miscellaneous	473
Capital Outlay	<u>2,129,794</u>

Total Operating Cash Disbursements	<u>2,240,358</u>
------------------------------------	------------------

Operating (Loss)	(2,124,467)
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**Non-Operating Cash Receipts:**

Intergovernmental Receipts	529,986
Proceeds from Notes	241,000
Proceeds from Loans	<u>1,861,897</u>

Total Non-Operating Cash Receipts	<u>2,632,883</u>
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**Non-Operating Cash Disbursements:**

Debt Service:	
Principal Payments	373,086
Interest Payments	<u>1,934</u>

Total Non-Operating Cash Disbursements	<u>375,020</u>
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Excess of Receipts Over/(Under) Disbursements Before Interfund Advances	133,396
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Advances-In	<u>400</u>
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Net Receipts Over Disbursements	133,796
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Fund Cash Balances, January 1	<u>54,989</u>
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<b>Fund Cash Balances, December 31</b>	<u><u>\$188,785</u></u>
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Reserve for Encumbrances, December 31	<u><u>\$2,243</u></u>
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*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF BELLE CENTER  
LOGAN 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 Belle Center, Logan County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including road maintenance, water and sewer utilities, and garbage services. The Village contracts with the Logan County Sheriff's department to provide security of persons and property. The Village is associated with two jointly governed organizations described in Note 9.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Investments**

The Village maintains all money in a checking account.

**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.

**State Highway Fund** - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF BELLE CENTER  
LOGAN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Funds:

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

**Sewer Construction** – This fund received a grant from the United States Army Corp of Engineers and loans from the OWDA and Ohio Public Works Commission (OPWC) to complete installation of a sewer system as part of the Indian Lake Sewer District which is operated by Logan County.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget 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 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. Unpaid Sick and Vacation Leave**

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

**VILLAGE OF BELLE CENTER  
LOGAN COUNTY**

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

**2. EQUITY IN POOLED CASH**

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

	2002	2001
Demand deposits	<u>\$714,984</u>	<u>\$461,181</u>

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

**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	\$130,000	\$156,488	\$26,488
Special Revenue	28,000	31,454	3,454
Enterprise	1,090,100	530,654	(559,446)
Total	<u>\$1,248,100</u>	<u>\$718,596</u>	<u>(\$529,504)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$345,016	\$108,274	\$236,742
Special Revenue	85,191	20,732	64,459
Enterprise	1,136,541	341,048	795,493
Total	<u>\$1,566,748</u>	<u>\$470,054</u>	<u>\$1,096,694</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$129,520	\$175,541	\$46,021
Special Revenue	28,000	30,649	2,649
Enterprise	2,979,986	2,749,174	(230,812)
Total	<u>\$3,137,506</u>	<u>\$2,955,364</u>	<u>(\$182,142)</u>

**VILLAGE OF BELLE CENTER  
LOGAN COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$304,745	\$144,723	\$160,022
Special Revenue	69,619	16,989	52,630
Enterprise	2,502,684	2,617,621	(114,937)
Total	<u>\$2,877,048</u>	<u>\$2,779,333</u>	<u>\$97,715</u>

During 2002 and 2001, the Village had actual receipts that were less than budgeted revenues. Actual expenditures did not exceed actual revenues, therefore Ohio Rev. Section 5705.36 was not violated.

During 2001, expenditures exceeded appropriations in the Enterprise Fund Type. However, this deficiency was the result of memo receipt and expenditure activity related to the issuance of new debt and the retiring of old debt.

**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 January 20<sup>th</sup>. The second half payment is due the following July 20<sup>th</sup>.

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.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Individual taxpayers may pay estimated taxes quarterly and are required to file a declaration annually.

**VILLAGE OF BELLE CENTER  
LOGAN COUNTY**

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

**6. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	237,500	0.00%
Ohio Water Development Authority Loan (WPCLF)	1,978,994	4.16%
Total	<u>\$2,216,494</u>	

During 2002, the Village received a loan in the amount of \$250,000 from the Ohio Public Works Commission. The purpose of this loan was to help pay the costs associated with an Environmental Protection Agency mandated project. This loan is repayable in semi-annual installments with a final maturity in 2022.

During 2001, the Village received a loan in the amount of \$1,978,994 from the Ohio Water Development Authority (OWDA). The purpose of this loan was to help pay the costs associated with an Environmental Protection Agency mandated project. This loan is repayable in semi-annual installments starting in 2003 with a final maturity in 2023. The proceeds of this loan included \$132,086 to retire an outstanding OWDA loan. In addition, the cash proceeds do not include the capitalized interest which accumulated during the time of the project until the loan close date in September 2003.

Amortization of the above debt, including capitalized interest up to the OWDA loan close date, is scheduled as follows:

2003	\$12,500	\$155,506
2004	12,500	138,043
2005	12,500	138,043
2006	12,500	138,043
2007	12,500	138,043
2008-2012	62,500	690,216
2013-2017	62,500	690,216
2018-2022	50,000	690,216
2023	138,043	
Total	<u>\$237,500</u>	<u>\$2,916,369</u>

The Village did not record capital cost recovery charges for the OWDA Loan and the OPWC loan in a debt service fund as required by Village Ordinance Village Ordinance 2000-15, which was clarified by Village Ordinance 2003-05.

The Village did not record tap-in fees in a debt service fund as required by Water Pollution Control Loan Fund Agreement Exhibit 2, Dated November 28, 2000.

**VILLAGE OF BELLE CENTER  
LOGAN COUNTY**

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

**7. RETIREMENT SYSTEMS**

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries during the period from January 1, 2001 through December 31, 2002. The Village has paid all contributions required through December 31, 2002.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss).

The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**9. JOINTLY GOVERNED ORGANIZATIONS**

The Logan Union Champaign (LUC) Regional Planning Commission, Logan County operates under the direction of a 21 member executive committee comprised of representatives of Logan, Union, and Champaign Counties, the cooperating municipalities and citizen members are appointed by the Board of County Commissioners of said Counties. The Logan County Auditor acts as the fiscal agent for the Commission.

The B.M.R.T. Regional Ambulance District, Logan County, is directed by an appointed four-member Board of Trustees. One Board member is appointed by each political subdivision within the District. Those subdivisions include McDonald, Richland, and Taylor Creek Townships and the Village of Belle Center. The District was established to provide rescue services and responds with mutual aid service to any agency requesting such services.



**VILLAGE OF BELLE CENTER  
LOGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF DEFENSE</b> <i>(Passed thru the US Army Corp of Engineers)</i>				
Section 594 of the Water Resouce Development Act of 1999	N/A	12.XXX	<u>\$529,986</u>	<u>\$529,986</u>

*The accompanying notes to this schedule are an integrel part of this schedule*

**VILLAGE OF BELLE CENTER  
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the "Schedule") summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B -- MATCHING REQUIREMENTS**

The Federal program required the Village to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE C -- REIMBURSEMENT**

The Federal funding was reimbursed to the Village after evidence that the expenditure had been made and the program requirements met.



## **Auditor of State Betty Montgomery**

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

Village of Belle Center  
Logan County  
104 West Buckeye Street  
P.O. Box 508  
Belle Center, Ohio 43310-0508

To the Village Council:

We have audited the accompanying financial statements of the Village of Belle Center, Logan County (the "Village"), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated November 4, 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 is described in the accompanying schedule of findings as items 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated November 4, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-002 through 2002-004.

**Internal Control Over Financial Reporting  
(Continued)**

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also 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 November 4, 2003.

This report is intended solely for the information and use of the audit committee, management, Village Council, and federal awarding agencies and pass-through entities, 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

November 4, 2003



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of Belle Center  
Logan County  
104 West Buckeye Street  
P.O. Box 508  
Belle Center, Ohio 43310-0508

To the Village Council:

#### **Compliance**

We have audited the compliance of the Village of Belle Center, Logan County, (the "Village"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

#### **Internal Control Over Compliance**

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance  
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Village Council, federal awarding agencies and pass-through entities 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

November 4, 2003

**VILLAGE OF BELLE CENTER  
LOGAN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2003**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Section 594 of the Water Resource Development Act of 1999
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	N/A – only one federal program
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002- 001**

**Noncompliance Citation**

**Village Ordinance 2000-15**, which was clarified by **Village Ordinance 2003-05**, set the capital cost recovery charges for the Ohio Water Development Authority loan at \$7.68. This resolution also established capital cost recovery charges of \$2.60 to pay the debt on the Ohio Public Works Commission loan. The Village recorded these charges, in the amount of \$20,240, in the Enterprise Sewer Operating Fund instead of an Enterprise Sewer Debt Service Fund.

The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect capital cost recovery charges in an Enterprise Sewer Debt Service Fund. The financial statements in this report reflect these adjustments. These adjustments had the following effect upon the respective fund balances:

Enterprise Sewer Operating Fund (\$20,240)	Enterprise Sewer Debt Service Fund \$20,240
--	---

The Village should implement control procedures to help assure that all revenue collected from capital cost recovery charges are recorded in the Enterprise Debt Service Fund. Periodically, the audit committee should review the financial records to identify errors in the recording of this revenue.

**FINDING NUMBER 2002- 002**

**Noncompliance Citation / Reportable Condition**

**Water Pollution Control Loan Fund Agreement Exhibit 2, Dated November 28, 2000**, which pertains to the Village's loan from the Ohio Water Development Authority, states that tap-in fees collected from residents who hook into the Village sewer system will be a designated source of repayment for the 2001 loan from the Ohio Water Development Authority. The Village recorded tap-in fees, in the amount of \$65,890, in the Enterprise Sewer Operating Fund instead of an Enterprise Sewer Debt Service Fund.

The Village did not maintain records that easily identified the residents who paid tap-in fees, the amount paid, and the date of receipt. The failure to properly account for revenue from tap-in fees could result in the Village failing to collect all revenue due and/or the loss or misuse of Village money.

The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect capital cost recovery charges in an Enterprise Sewer Debt Service Fund. The financial statements in this report reflect these adjustments. These adjustments had the following effect upon the respective fund balances:

Enterprise Sewer Operating Fund (\$65,890)	Enterprise Sewer Debt Service Fund \$65,890
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**FINDING NUMBER 2002- 002**  
**(Continued)**

The Village should implement control procedures to help assure that all revenue collected from tap in fees is recorded in the Enterprise Debt Service Fund. Periodically, the audit committee should review the financial records to identify errors in the recording of this revenue.

In addition, the Village should maintain detailed tap in fee records that show who has paid, the amount paid, and the date of collection. A reconciliation should be performed between anticipated tap in fee revenue and the amount collected.

**FINDING NUMBER 2002- 003**

**Reportable Condition**  
**Financial Statement Presentation**

To help assure an accurate financial statement presentation, an entity should record all financial transactions related to business type activities, such as water and sewer utilities, in the Enterprise Fund Type. The Village recorded loan proceeds for a sewer project in a Governmental Capital Projects Fund. Debt payments related to these loan proceeds were recorded in a Governmental Debt Service Fund. The Village has made the necessary adjustments to properly classify these funds in subsequent years. The financial statements in this report reflect the correct classification of these funds.

Failure to properly classify all activity related to the Village's sewer utility inhibits the ability of management and other user's to analyze the financial statements. In addition, this could not only result in the misspending of funds restricted for use by the sewer utility, but also for other Village capital projects or debt service obligations.

The Village should record all capital projects and debt service related to Enterprise Funds as capital project or debt service funds within the Enterprise Fund Type.

**FINDING NUMBER 2002-004**

**Reportable Condition**  
**Monitoring of Financial Activity**

To effectively manage the financial resources of an entity, the governing body must receive and approve financial reports that reflect current budget and actual information. The Village Council did not receive budget versus actual reports during 2002 and 2001. The financial reports that were made available were not printed in a timely manner in order to provide Council with timely information. In some instances, the budgeted revenues and expenditures recorded in the accounting system did not reflect what had been approved by Council.

The failure to periodically review timely financial information, including budget versus actual reports that reflect the budgeted amounts approved by Council, could result in financial objectives not being achieved and/or the violation of budgetary laws.

Council should review and approve in a timely manner a financial package that includes, but is not limited to, budget versus actual revenues and expenditures, fund balances, and monthly bank reconciliations in a timely manner. Evidence of the review and approval of the financial package should be noted on the examined items and/or documented in the minutes. In addition, the audit committee should periodically review the budgeted amounts recorded in the accounting system to help assure accuracy.

**VILLAGE OF BELLE CENTER  
LOGAN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2000-30246-001	Ohio Rev. Code Section 5705.41(D) - Prior Certification of Expenditures	Yes	
2000-30246-002	Ohio Rev. Code Section 5705.41(B) - Expenditures in excess of appropriations	No	Repeated as a management letter comment.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**VILLAGE OF BELLE CENTER**

**LOGAN 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  
JANUARY 20, 2004**