



**Auditor of State
Betty Montgomery**

VILLAGE OF SHADYSIDE
BELMONT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2004	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2003	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	21

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Shadyside
Belmont County
50 East 39th Street
Shadyside, Ohio 43947

To the Village Council:

We have audited the accompanying financial statements of the Village of Shadyside, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

As described fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP).

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Shadyside, Belmont County, as of December 31, 2004 and 2003, 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 March 31, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting and compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under Section 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

March 31, 2005

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$322,477	\$157,868	\$	\$	\$	\$480,345
Intergovernmental Receipts	272,673	195,378				468,051
Charges for Services	28,590	123,201				151,791
Fines, Licenses, and Permits	15,164					15,164
Earnings on Investments	7,503	366			4,540	12,409
Miscellaneous	12,426	12,192				24,618
Total Cash Receipts	<u>658,833</u>	<u>489,005</u>	<u>0</u>	<u>0</u>	<u>4,540</u>	<u>1,152,378</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	306,119	177,948				484,067
Public Health Services	14,406					14,406
Leisure Time Activities	54,686	22,415				77,101
Community Environment	1,029					1,029
Transportation	88,540	109,241				197,781
General Government	184,186					184,186
Debt Service:						
Principal Payments	5,569	14,679				20,248
Interest Payments	2,599	3,024				5,623
Capital Outlay		51,507				51,507
Total Cash Disbursements	<u>657,134</u>	<u>378,814</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,035,948</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,699</u>	<u>110,191</u>	<u>0</u>	<u>0</u>	<u>4,540</u>	<u>116,430</u>
Other Financing Receipts/(Disbursements):						
Other Financing Sources	2,921	1,048				3,969
Other Financing Uses	(368)					(368)
Total Other Financing Receipts/(Disbursements)	<u>2,553</u>	<u>1,048</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,601</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>4,252</u>	<u>111,239</u>	<u>0</u>	<u>0</u>	<u>4,540</u>	<u>120,031</u>
Fund Cash Balances, January 1	<u>515,731</u>	<u>222,993</u>	<u>4,372</u>	<u>33,375</u>	<u>354,758</u>	<u>1,131,229</u>
Fund Cash Balances, December 31	<u>\$519,983</u>	<u>\$334,232</u>	<u>\$4,372</u>	<u>\$33,375</u>	<u>\$359,298</u>	<u>\$1,251,260</u>

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

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$622,233
Miscellaneous	16,069
	<u>638,302</u>
Total Operating Cash Receipts	<u>638,302</u>
Operating Cash Disbursements:	
Personal Services	141,881
Fringe Benefits	63,432
Contractual Services	116,707
Supplies and Materials	63,778
Other	10,163
	<u>395,961</u>
Total Operating Cash Disbursements	<u>395,961</u>
Operating Income	<u>242,341</u>
Non-Operating Cash Receipts:	
Other Financing Sources	780
Miscellaneous Receipts	5,046
	<u>5,826</u>
Total Non-Operating Cash Receipts	<u>5,826</u>
Non-Operating Cash Disbursements:	
Redemption of Principal	135,630
Interest and Other Fiscal Charges	46,351
	<u>181,981</u>
Total Non-Operating Cash Disbursements	<u>181,981</u>
Excess of Receipts Over Disbursements Before Advances	66,186
Advances-In	10,000
Advances-Out	(10,000)
	<u>66,186</u>
Net Receipts Over Disbursements	<u>66,186</u>
Fund Cash Balances, January 1	<u>671,512</u>
Fund Cash Balances, December 31	<u>\$737,698</u>

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

VILLAGE OF SHADYSIDE
BELMONT COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$319,820	\$160,385	\$	\$	\$	\$480,205
Intergovernmental Receipts	226,900	191,301				418,201
Charges for Services	10,691	23,661				34,352
Fines, Licenses, and Permits	15,473					15,473
Earnings on Investments	7,193	181			3,902	11,276
Miscellaneous	24,278					24,278
Total Cash Receipts	<u>604,355</u>	<u>375,528</u>	<u>0</u>	<u>0</u>	<u>3,902</u>	<u>983,785</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	298,174	174,783				472,957
Public Health Services	14,193					14,193
Leisure Time Activities	32,107					32,107
Community Environment	1,029					1,029
Transportation	89,441	152,420		300		242,161
General Government	239,651					239,651
Debt Service:						
Principal Payments	2,743	2,376				5,119
Interest Payments	1,341	574				1,915
Capital Outlay		23,041				23,041
Total Cash Disbursements	<u>678,679</u>	<u>353,194</u>	<u>0</u>	<u>300</u>	<u>0</u>	<u>1,032,173</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(74,324)</u>	<u>22,334</u>	<u>0</u>	<u>(300)</u>	<u>3,902</u>	<u>(48,388)</u>
Other Financing Receipts/(Disbursements):						
Other Debt Proceeds		4,158				4,158
Transfers-In		28,000				28,000
Advances-In	14,167	25,000		2,167		41,334
Transfers-Out		(28,000)				(28,000)
Advances-Out	(27,167)	(12,000)		(2,167)		(41,334)
Total Other Financing Receipts/(Disbursements)	<u>(13,000)</u>	<u>17,158</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,158</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(87,324)	39,492	0	(300)	3,902	(44,230)
Fund Cash Balances, January 1	603,055	183,501	4,372	33,675	350,856	1,175,459
Fund Cash Balances, December 31	<u>\$515,731</u>	<u>\$222,993</u>	<u>\$4,372</u>	<u>\$33,375</u>	<u>\$354,758</u>	<u>\$1,131,229</u>

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

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$639,329
Total Operating Cash Receipts	639,329
Operating Cash Disbursements:	
Personal Services	170,650
Fringe Benefits	74,962
Contractual Services	98,777
Supplies and Materials	67,878
Other	15,584
Capital Outlay	11,146
Total Operating Cash Disbursements	438,997
Operating Income	200,332
Non-Operating Cash Receipts:	
Other Debt Proceeds	1,386
Miscellaneous Receipts	3,798
Total Non-Operating Cash Receipts	5,184
Non-Operating Cash Disbursements:	
Redemption of Principal	126,199
Interest and Other Fiscal Charges	58,140
Total Non-Operating Cash Disbursements	184,339
Net Receipts Over Disbursements	21,177
Fund Cash Balances, January 1	650,335
Fund Cash Balances, December 31	\$671,512

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

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Shadyside, Belmont County (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, maintenance of Village streets, park and pool operations, fire, emergency medical, and police services. The Village is involved with the Bel-O-Mar Regional Council and Eastern Ohio Regional Transit Authority, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 8.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

Money market mutual funds (including STAROhio) are recorded at share values the mutual fund reports.

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.

2. Special Revenue Funds

These funds 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:

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Fire Apparatus Levy Fund – This fund receives property tax money and charges for services from emergency medical services to provide fire protection and emergency medical services to Village residents.

Police Levy Fund – This fund receives property tax money to provide police protection to Village residents.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bond and note indebtedness. There was no activity in the Village's Debt Service Fund for the period January 1, 2003 through December 31, 2004.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Special Assessments 43/48 Streets Fund – This fund has been on the Village's records for many years. The original source of this revenue is not known by the Village.

5. 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.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant Fiduciary Fund:

Swamberg Estate Trust Fund – This expendable trust fund receives interest from STAROhio with the principal and interest to be used for the betterment of the Village, excluding general operations.

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 level of control, and appropriations may not exceed estimated resources. 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 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. 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.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$1,215,435	\$1,038,992
STAROhio	773,523	763,749
Total deposits and investments	\$1,988,958	\$1,802,741

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

Investments: Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004, follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$565,539	\$661,754	\$96,215
Special Revenue	290,447	490,053	199,606
Capital Projects	2,759	0	(2,759)
Enterprise	706,229	644,128	(62,101)
Fiduciary	21,430	4,540	(16,890)
Total	\$1,586,404	\$1,800,475	\$214,071

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$698,399	\$657,502	\$40,897
Special Revenue	403,250	378,814	24,436
Enterprise	824,248	577,942	246,306
Total	<u>\$1,925,897</u>	<u>\$1,614,258</u>	<u>\$311,639</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$637,486	\$604,355	(\$33,131)
Special Revenue	308,453	407,686	99,233
Capital Projects	2,732	0	(2,732)
Enterprise	710,660	644,513	(66,147)
Fiduciary	21,218	3,902	(17,316)
Total	<u>\$1,680,549</u>	<u>\$1,660,456</u>	<u>(\$20,093)</u>

2003 Budgeted vs. Actual Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$677,486	\$678,679	(\$1,193)
Special Revenue	399,530	381,194	18,336
Capital Projects	33,675	300	33,375
Enterprise	908,577	623,336	285,241
Fiduciary	350,856	0	350,856
Total	<u>\$2,370,124</u>	<u>\$1,683,509</u>	<u>\$686,615</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the State Pool Grant and Fire Apparatus Levy Funds by \$22,415 and \$12,043, respectively for the year ended December 31, 2004, and in the General, Street Construction, Maintenance, and Repair, and Federal Emergency Management Agency Funds by \$1,193, \$13,977, and \$28,000, respectively, for the year ended December 31, 2003. Also contrary to Ohio law, appropriations exceeded estimated resources in the County Permissive Motor Vehicle License Tax Fund by \$18,540 for the year ended December 31, 2004 and in the Street Construction, Maintenance, and Repair Fund by \$22,849 for the year ended December 31, 2003.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2004, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$526,086	5.86 - 9.88%
Ohio Public Works Commission Water/Sewer Improvement and Sanitary/Storm Sewer Loans	279,379	2.00%
Bank One Lease	<u>62,375</u>	4.37%
Total	<u><u>\$867,840</u></u>	

The Ohio Water Development Authority (OWDA) loans relate to a water tank and sewer plant improvements. On May 29, 2003, the OWDA Board authorized an Interest Rate Subsidy program. This program will benefit the Village, as the Village has outstanding interest rates on loans in excess of 7 percent. Under the program, OWDA will effectively reduce the interest rate on the outstanding balance of these loans to 7 percent by paying the portion of the interest above 7 percent. Implementation of the subsidy program commenced with the payment due on January 1, 2004 and will carry through to the maturity date of the affected loans. The Ohio Public Works Commission (OPWC) loans relate to water and sewer system and storm sewer system improvements. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA and OPWC debt service requirements.

On October 20, 2003, the Village entered into a Lease-Purchase agreement with Banc One leasing Corporation to purchase a pickup truck and a dump truck. Title of the trucks vest in the Village; however, Banc One Leasing Corporation maintains a security interest in the trucks until the lease is paid in full.

Amortization of the above debt, including interest, follows:

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT (Continued)

<u>Year ending December 31:</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>Banc One Lease</u>
2005	\$141,326	\$36,962	\$17,702
2006	143,306	36,962	17,702
2007	97,649	36,962	17,702
2008	45,101	36,962	14,752
2009	39,246	23,926	
2010-2014	196,230	54,455	
2015-2019	19,623	54,455	
2020-2023		38,118	
Total	<u>\$682,481</u>	<u>\$318,802</u>	<u>\$67,858</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village provides health insurance to employees through a private carrier.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. JOINTLY GOVERNED ORGANIZATIONS

- A. Bel-O-Mar Regional Council** is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by each local government within Belmont County. The Council is not dependent upon the Village of Shadyside for its continued existence, no debt exists, and the Village does not maintain an equity interest. Bel-O-Mar Regional Council received \$1,029 for 2005 annual fees paid in 2004 and \$1,029 for 2004 annual fees paid in 2003.
- B. Eastern Ohio Regional Transit Authority** was established to provide transportation to the residents of the Ohio Valley and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a board of directors that is appointed by the nine Mayors of the municipalities served by the Authority. The continued existence of the Authority is not dependent on the Village's continued participation and no equity interest exists for which the Village is responsible.

9. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

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



**Auditor of State
Betty Montgomery**

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

Village of Shadyside
Belmont County
50 East 39th Street
Shadyside, Ohio 43947

To the Village Council:

We have audited the financial statements of the Village of Shadyside, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated March 31, 2005, wherein we noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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 management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of findings as item 2004-005.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated March 31, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-004. In a separate letter to the Village's management dated March 31, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Village Council. It is not intended for 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

March 31, 2005

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance Citation

1982 Op. Atty. Gen. No. 82-006 addresses the expenditure of funds for a proper public purpose. To be considered proper, in general, the expenditure is required to be for the general good of the general public, and promote public safety, health, security, prosperity and contentment of all the general public. The primary objective of the expenditure is to further the public purpose.

The determination of what constitutes a public purpose is primarily a legislative function. As such, the decision to expend public funds "...must be made in accordance with procedural formalities governing the exercise of the legislative body". [In this case, Village Council] The decision must be memorialized by a duly enacted ordinance or resolution that may have prospective effect only.

The Village established a Water Operating Fund on their accounting records to receive amounts collected from water customers and to pay for the costs associated with the production and distribution of water. A \$39,000 utility department building rent disbursement was recorded in this fund during 2003 and the \$39,000 was subsequently recorded as a receipt in the Village's General Fund; however, no rental period was stipulated in the disbursement and no legislation was located that provided for a monthly or annual rental charge for the utility department building. Based on information provided for this transaction, we could not conclude that it was a substantiated obligation of the Water Operating Fund.

As of the date of this report, Village management was in agreement with the aforementioned adjustment and this adjustment has been posted to the Village's records and is reflected in the accompanying financial statements.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides that appropriations from each fund shall not exceed the estimated revenue plus unencumbered balances available for expenditures as certified by the County Budget Commission.

As of December 31, 2004, appropriations exceeded estimated revenue plus unencumbered balances in the following fund:

<u>Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>
County Permissive Motor Vehicle License Tax Fund	\$18,540	\$0	(\$18,540)

As of December 31, 2003, appropriations exceeded estimated revenue plus unencumbered balances in the following fund:

<u>Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>
Street Construction, Maintenance, and Repair Fund	\$148,700	\$125,851	(\$22,849)

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2004-002
(Continued)**

Noncompliance Citation - Ohio Rev. Code Section 5705.39 (Continued)

When appropriations exceed estimated resources, the Village may spend more than what is available, and thus allow deficit spending to occur.

We recommend the Village develop internal control procedures to monitor appropriations and estimated resources and file amendments as needed with the County Auditor to ensure that the total appropriations from each fund do not exceed the total official estimate or amended official estimate as certified by the County Budget Commission. This will help to reduce the risk of disbursements exceeding actual revenues available as well as add a measure of control over the Village's budgetary process.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

At December 31, 2004, the following funds reflected expenditures which exceeded appropriations at the legal level of control:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
State Pool Grant Fund	\$-0-	\$22,415	(\$22,415)
Fire Apparatus Levy Fund	\$72,000	\$84,043	(\$12,043)

At December 31, 2003, the following funds reflected expenditures which exceeded appropriations at the legal level of control:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	\$677,486	\$678,679	(\$1,193)
Street Construction, Maintenance, and Repair Fund	\$148,700	\$162,677	(\$13,977)
Federal Emergency Management Agency Fund	\$-0-	\$28,000	(\$28,000)

We recommend the Village Clerk/Treasurer monitor all fund expenditures at the legal level of control to ensure expenditures remain within their respective budgeted amounts. The Village Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Village Clerk/Treasurer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

VILLAGE OF SHADYSIDE
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)

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

FINDING NUMBER 2004-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the 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 the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code Sections 5705.41(D)(1) and 5705.41(D)(3), respectively:

- A. Then and Now Certificate - If the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003), may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.
- B. Blanket Certificate – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificate 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. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
- C. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional 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.

Although the obligations paid by the Village had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of the appropriate fund, and free from any previous encumbrance, this certification of available funds was not obtained prior to incurring the obligation for 83% of transactions tested and there was no evidence of a "Then and Now" certificate being used by the Village Clerk/Treasurer.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2004-004
(Continued)**

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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 funds exceeding budgetary spending limitations, we recommend that the Village Clerk/Treasurer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used. Only one blanket certification should be used for a particular line item appropriation. Village Council should adopt a resolution to indicate an amount that blanket certificates cannot exceed.

FINDING NUMBER 2004-005

Reportable Condition

The Village contracted with Computer Billing Services to provide Emergency Medical Services billing services. 2003 service payments were sent directly to the Village and the Village was to notify Computer Billing Services of all payments collected; however, this did not always occur. 2004 service payments were to be sent directly to Computer Billing Services and deposited into the Village's corporate bank account; however, some 2004 payments were sent to the Village. Notification of service payments collected by the Village was not always provided to Computer Billing Services.

As a result of not providing notification of all payments received directly by the Village, accurate accounts receivable and billing information could not be maintained or provided by Computer Billing Services.

We recommend the Village Clerk/Treasurer provide copies of "Explanation of Benefits" forms accompanying service payments received directly by the Village for Emergency Medical Services to Computer Billing Services.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2002-31007-001	Ohio Rev. Code Section 5705.10 for improperly posting a receipt for employee share of insurance.	Yes	N/A.
2002-31007-002	Ohio Rev. Code Section 5705.10 for improperly posting utility receipts.	Yes	N/A.
2002-31007-003	Ohio Rev. Code Section 5705.36 for not requesting an increased amended certificate.	Yes	N/A.
2002-31007-004	Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources.	No	Not Corrected; Repeated as Finding No. 2004-002.
2002-31007-005	Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations.	No	Not Corrected; Repeated as Finding No. 2004-003.
2002-31007-006	Ohio Rev. Code Section 5705.41(D) (1) for not properly encumbering.	No	Not Corrected; Repeated as Finding No. 2004-004.
2002-31007-007	Reportable Condition for not recording on-behalf-of payments	No	Partially Corrected; This is reissued within the management letter.
2002-31007-008	Reportable Condition for not properly posting receipts.	No	Partially Corrected; This is reissued within the management letter.



**Auditor of State
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VILLAGE OF SHADYSIDE

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
MAY 24, 2005**