



Dave Yost • Auditor of State



VILLAGE OF SHADYSIDE  
BELMONT COUNTY

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# Dave Yost • Auditor of State

Village of Shadyside  
Belmont County  
50 East 39<sup>th</sup> Street  
Shadyside, Ohio 43947

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

May 2, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Shadyside  
Belmont County  
50 East 39<sup>th</sup> 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 year ended December 31, 2011. 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(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more 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). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Village's larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2011 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011, or its changes in financial position or cash flows, where applicable for the year then ended.

Also, 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, Ohio, as of December 31, 2011, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

As described in Note 1E, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2012, 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 or on 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.



**Dave Yost**  
Auditor of State

May 2, 2012



VILLAGE OF SHADYSDE  
BELMONT COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$331,023	\$141,867			\$472,890
Intergovernmental	236,681	299,214			535,895
Charges for Services	114,629	95,271			209,900
Fines, Licenses and Permits	11,232				11,232
Earnings on Investments	1,156	27			1,183
Miscellaneous	11,964	8,015			19,979
Total Cash Receipts	<u>706,685</u>	<u>544,394</u>	<u>\$0</u>	<u>\$0</u>	<u>1,251,079</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	284,400	257,945			542,345
Public Health Services	14,209				14,209
Leisure Time Activities	25,914	854			26,768
Transportation	40,985	156,872			197,857
General Government	209,018	3,444			212,462
Debt Service:					
Redemption of Principal	3,185	47,977			51,162
Interest and Fiscal Charges	899	8,564			9,463
Capital Outlay		12,289			12,289
Total Cash Disbursements	<u>578,610</u>	<u>487,945</u>	<u>0</u>	<u>0</u>	<u>1,066,555</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>128,075</u>	<u>56,449</u>	<u>0</u>	<u>0</u>	<u>184,524</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Other Financing Sources	5,365	28,425			33,790
Other Financing Uses		(706)			(706)
Total Other Financing Receipts/(Disbursements)	<u>5,365</u>	<u>27,719</u>	<u>0</u>	<u>0</u>	<u>33,084</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	133,440	84,168	0	0	217,608
Fund Cash Balances, January 1	<u>366,156</u>	<u>743,892</u>	<u>4,511</u>	<u>33,375</u>	<u>1,147,934</u>
Fund Cash Balances, December 31					
Restricted	954	828,060	4,511	33,375	866,900
Assigned	5,785				5,785
Unassigned	492,857				492,857
<b>Fund Cash Balances, December 31</b>	<b><u>\$499,596</u></b>	<b><u>\$828,060</u></b>	<b><u>\$4,511</u></b>	<b><u>\$33,375</u></b>	<b><u>\$1,365,542</u></b>

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 PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$766,400		\$766,400
Fines, Licenses and Permits		\$14,565	14,565
Miscellaneous	49,764		49,764
	<u>816,164</u>	<u>14,565</u>	<u>830,729</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	178,422		178,422
Employee Fringe Benefits	81,941		81,941
Contractual Services	1,829,256		1,829,256
Supplies and Materials	94,910		94,910
Other	34,112	14,866	48,978
	<u>2,218,641</u>	<u>14,866</u>	<u>2,233,507</u>
Operating Loss	<u>(1,402,477)</u>	<u>(301)</u>	<u>(1,402,778)</u>
<b>Non-Operating Cash Receipts:</b>			
Property and Other Local Taxes	2,720		2,720
Other Debt Proceeds	1,634,496		1,634,496
Miscellaneous Receipts	1,184		1,184
Other Financing Sources	1,614		1,614
	<u>1,640,014</u>	<u>0</u>	<u>1,640,014</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	1,914		1,914
Redemption of Principal	151,153		151,153
Interest and Other Fiscal Charges	14,527		14,527
	<u>167,594</u>	<u>0</u>	<u>167,594</u>
Net Receipts Over/(Under) Disbursements	69,943	(301)	69,642
Fund Cash Balances, January 1	<u>1,532,992</u>	<u>521</u>	<u>1,533,513</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$1,602,935</u></b>	<b><u>\$220</u></b>	<b><u>\$1,603,155</u></b>

*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, 2011**

**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 directs the Village. The Village provides water and sewer utilities, park and pool operations, fire, emergency medical, and police services.

The Village is involved with the Bel-O-Mar Regional Council and the Eastern Ohio Regional Transit Authority, which are defined as jointly-governed organizations. Note 9 to the financial statements provide additional information for these entities.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

**C. Fund Accounting**

The Village uses fund accounting to segregate cash that is 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 private-purpose 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 license tax money for constructing, maintaining, and repairing Village streets.

Fire Equipment Grant Fund - This fund receives a federal grant to provide for the purchase of fire equipment.

**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

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

**C. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Fire Apparatus Fund - This fund receives property tax money to provide for the general purposes of the volunteer fire department, including vehicles.

**3. Debt Service Funds**

These funds account for resources the Village accumulates to pay bond and note debt. There was no activity in the debt service funds for the period January 1, 2011 through December 31, 2011.

**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). There was no activity in the capital project funds for the period January 1, 2011 through December 31, 2011.

**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.

**6. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the activity of the Village Mayor's Court.

**D. Budgetary Process**

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

VILLAGE OF SHADYSIDE  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

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 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2011 budgetary activity appears in Note 3.

E. Fund Balance

Fund balance can be 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). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

VILLAGE OF SHADYSIDE  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance (Continued)

4. Assigned

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

5. Unassigned

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

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

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.

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 Deposits

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

	2011
Demand deposits	<u>\$2,968,697</u>

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

**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the year ending December 31, 2011, follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$522,982	\$712,050	\$189,068
Special Revenue	507,990	572,819	64,829
Enterprise	2,491,968	2,456,178	(35,790)
Total	\$3,522,940	\$3,741,047	\$218,107

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$889,090	\$578,610	\$310,480
Special Revenue	1,251,132	488,651	762,481
Debt Service	4,511		4,511
Capital Projects	33,375		33,375
Enterprise	4,215,374	2,386,235	1,829,139
Total	\$6,393,482	\$3,453,496	\$2,939,986

**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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2011, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Equipment Lease-Purchase Agreements	\$121,792	3.65 - 4.42%
Ohio Public Works Commission Loan	115,680	0.02%
Ohio Water Development Authority Loans	426,465	4.79 - 6.87%
Total	<u>\$663,937</u>	

The equipment lease-purchase agreements relate to the financing of rescue vehicles for use by the Village emergency medical squad, and trucks for use by the Village water department. The leases are payable in annual installments at annual percentage rates of 3.65% to 4.42%, with final payment due February 24, 2013. The leases are supported by the full faith and credit of the Village and are payable from emergency medical fees or secured by water utility receipts.

The Ohio Public Works Commission (OPWC) loan relates to storm sewer system replacement payable in semi-annual installments at an annual percentage rate of .02%, with final payment due July 1, 2023. The storm sewer system replacement loan is paid from the General and Sewer Replacement Funds.

The Ohio Water Development Authority (OWDA) loans relates to water tank improvements and reservoir embankment repairs payable in semi-annual installments at annual percentage rates of 4.79% to 6.87%, with final payment due July 15, 2039. The loan is secured by water utility receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

<u>Year ending December 31:</u>	<u>Leases</u>	<u>OPWC Loan</u>	<u>OWDA Loans</u>	<u>Grand Total</u>
2012	\$64,689	\$10,891	\$58,368	\$133,948
2013	64,689	10,891	58,368	133,948
2014		10,891	58,368	69,259
2015		10,891	58,368	69,259
2016		10,891	19,122	30,013
2017-2021		54,455	95,609	150,064
2022-2026		21,781	95,609	117,390
2027-2031			95,609	95,609
2032-2036			95,609	95,609
2037-2039			57,366	57,366
Total	<u>\$129,378</u>	<u>\$130,691</u>	<u>\$692,396</u>	<u>\$952,465</u>

The Village also has been approved for an Ohio Public Works Commission (OPWC) loan in the total amount of \$499,000 relating to improvements to the water system. As of December 31, 2011, \$55,951 in proceeds had been received by the Village. The final amount of the loan is subject to change based on the close-out of the project and the actual amounts utilized by the Village. The loan will be collateralized by water receipts.



**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**5. Debt (Continued)**

As of December 31, 2011, the Ohio Water Development Authority (OWDA) approved up to \$4,032,791 in loans to the Village for various projects, including a water plant generator, sewer system improvements, sewer collection system improvements, and water system improvements. The Village will repay the loans in semiannual installments at an annual percentage rate from 1.00% - 2.00%, with final payment due July 1, 2042. As of December 31, 2011, \$1,646,499 is the total amount drawn down on these loans.

These loans are not included in the debt or amortization schedules above as OWDA will adjust the scheduled payments to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**6. Retirement Systems**

The Village's full-time Police Officers belong to the 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 2011, OP&F participants contributed 10% of their wages. For 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011, 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, 2011.

**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 full-time employees through a private carrier.

**8. Contingent Liabilities**

The Village is defendant in two lawsuits. Although management cannot presently determine the outcome of these suits, management believes that 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. The grantor 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.

**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**9. Jointly-Governed Organizations**

**A. Bel-O-Mar Regional Council** is operated as a not-for-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 (Ohio, Marshall and Wetzel Counties). 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.

**B. Eastern Ohio Regional Transit Authority** (the 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 local mayors of the municipalities served by the Authority. The continued existence of the Authority is not dependent upon the Village's continued participation and no equity interest exists for which the Village is responsible.

**10. Subsequent Events**

During 2008, the Village was awarded an Ohio Department of Transportation (ODOT) grant to aid in a median strip and streetscape project estimated at \$1,352,500. Of this amount, \$1,082,000 is the federally funded portion and \$270,500 is the Village's required local match. This project is now scheduled to begin and be completed during 2012. As of December 31, 2011, the Village has paid, as a part of their local match, a total of \$96,134 for architectural and engineering services related to this project.



# Dave Yost • Auditor of State

## 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 39<sup>th</sup> 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 year ended December 31, 2011, and have issued our report thereon dated May 2, 2012, wherein we noted the Village has adopted Governmental Accounting Standards Board Statement No.54 and the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted 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 Government 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(A) mandates the Auditor of State to audit Ohio governments. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-02 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, 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 2, 2012.

We intend this report solely for the information and use of management, the audit committee, Village Council, and others within the Village. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

May 2, 2012

VILLAGE OF SHADYSIDE  
BELMONT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011

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

FINDING NUMBER 2011-01

**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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code:

1. **"Then and Now" Certificate** – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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 Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal 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.
3. **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 an appropriate fund, and free from any previous encumbrance, this certification of available funds was not obtained prior to incurring the obligation for 45% of transactions tested. In addition, "then and now" certificates that were greater than \$3,000 were not presented to Council for approval.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011  
(Continued)**

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

**FINDING NUMBER 2011-01 (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 the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Village. When prior certification is not possible, "then and now" certification should be used. When "then and now" certificates are used and are greater than \$3,000, the Fiscal Officer needs to present the certificate to Village Council for approval.

We recommend the Village certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Village incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**FINDING NUMBER 2011-02**

**Material Weakness**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village Officer's Handbook (revised March 2012) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village did not always record receipts or expenditures into accurate classifications, or record all such transactions, based upon the source of the receipt or the purpose of disbursement.

The Village posted:

- Permissive motor vehicle license tax monies received from the Ohio Department of Public Safety in the amount of \$8,219 to "Property Taxes" instead of "Intergovernmental" within the Permissive Motor Vehicle License Tax Special Revenue Fund.
- Cost allocation monies received from the Village's Enterprise funds in the amount of \$72,674 to "Other Financing Sources" instead of "Charges for Services" within the General Fund.

VILLAGE OF SHADYSIDE  
BELMONT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011  
(Continued)

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

FINDING NUMBER 2011-02 (Continued)

**Material Weakness (Continued)**

- Ohio Water Development Authority (OWDA) loan proceeds of \$1,562,316 to “Special Assessments” and “Charges for Services” instead of “Other Debt Proceeds” within the Water Equipment Replacement, Water System Improvement, OWDA Sewer Plant, and Sewer Wastewater System Enterprise Funds.
- Monthly Village utility billing monies totaling \$27,041 to “Other Debt Proceeds” instead of “Charges for Services” within the Sewer Debt Service Enterprise Fund.
- Ohio Water Development Authority (OWDA) loan debt principal payment of \$117,691 to “Contractual Services” instead of “Principal Retirement” within the Water System Improvement Enterprise Fund.
- Ohio Water Development Authority (OWDA) loan proceeds of \$5,019 to “Charges for Services” instead of “Other Debt Proceeds” within the Water System Design Enterprise Fund.
- Ohio Water Development Authority (OWDA) loan proceeds and subsequent expenditure of \$31,570 were posted to both the Water System Design and Water System Improvement Enterprise Funds.

The Village adjusted the accompanying financial statements to reflect all items noted within the preceding paragraphs.

The Village also failed to record the annual activity of certain on-behalf-of loan issues.

The Village failed to record the following to their accounting records:

- Ohio Public Works Commission (OPWC) loan monies totaling \$55,951 as “Other Debt Proceeds” revenue and “Contractual Services” expenditures within the Water System Improvement Enterprise Fund.

The Village adjusted the accompanying financial statements to reflect the item noted within the preceding paragraph.

We recommend the Village utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions. We also recommend that the Village refer to Auditor of State Bulletins 2000-008 and 2002-004 and follow the recommended accounting treatment for all OWDA/OPWC funding expended directly to contractors on behalf of the Village, as well as proceeds of OWDA/OPWC loans.

**Officials’ Responses:** We did not receive a response from Officials to the findings reported above.

**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations in 1 fund.	Yes	N/A.
2010-002	Ohio Rev. Code Section 5705.41(D)(1) for no prior certification of availability of funds prior to incurring the obligation.	No	Not Corrected; Repeated as Finding No. 2011-01.
2010-003	Material weakness for not posting various on-behalf-of OWDA loan activity into the accounting system.	Yes	N/A.
2010-004	Significant deficiency for incorrect posting of the budgeted receipts and appropriations into the accounting system.	Yes	N/A.





# Dave Yost • Auditor of State

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 15, 2012