



Dave Yost • Auditor of State

**VILLAGE OF SHADYSIDE
BELMONT COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Shadyside, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Shadyside, Belmont County, Ohio, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

July 13, 2018

Village of Shadyside, Ohio
Belmont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$305,978	\$146,374	\$0	\$0	\$452,352
Intergovernmental	152,700	498,432	0	0	651,132
Charges for Services	177,475	0	0	0	177,475
Fines, Licenses and Permits	9,919	0	0	0	9,919
Earnings on Investments	10,646	1,445	0	0	12,091
Miscellaneous	21,652	3,852	0	0	25,504
<i>Total Cash Receipts</i>	<u>678,370</u>	<u>650,103</u>	<u>0</u>	<u>0</u>	<u>1,328,473</u>
Cash Disbursements					
Current:					
Security of Persons and Property	301,472	138,671	0	0	440,143
Public Health Services	7,365	0	0	0	7,365
Leisure Time Activities	1,270	0	0	0	1,270
Transportation	28,211	241,500	0	0	269,711
General Government	260,962	2,575	0	0	263,537
Capital Outlay	0	395,306	0	0	395,306
Debt Service:					
Principal Retirement	4,785	0	0	0	4,785
Interest and Fiscal Charges	661	0	0	0	661
<i>Total Cash Disbursements</i>	<u>604,726</u>	<u>778,052</u>	<u>0</u>	<u>0</u>	<u>1,382,778</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>73,644</u>	<u>(127,949)</u>	<u>0</u>	<u>0</u>	<u>(54,305)</u>
Non-Operating Receipts					
Other Financing Sources	338	338	0	0	676
<i>Total Non-Operating Receipts</i>	<u>338</u>	<u>338</u>	<u>0</u>	<u>0</u>	<u>676</u>
<i>Net Change in Fund Cash Balances</i>	73,982	(127,611)	0	0	(53,629)
<i>Fund Cash Balances, January 1</i>	<u>552,665</u>	<u>523,006</u>	<u>4,511</u>	<u>1,932</u>	<u>1,082,114</u>
Fund Cash Balances, December 31					
Restricted	0	395,395	4,511	1,932	401,838
Assigned	625,326	0	0	0	625,326
Unassigned (Deficit)	1,321	0	0	0	1,321
<i>Fund Cash Balances, December 31</i>	<u>\$626,647</u>	<u>\$395,395</u>	<u>\$4,511</u>	<u>\$1,932</u>	<u>\$1,028,485</u>

See accompanying notes to the basic financial statements

Village of Shadyside, Ohio
Belmont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Enterprise	Agency	Totals (Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$852,606	\$0	\$852,606
<i>Total Operating Cash Receipts</i>	<u>852,606</u>	<u>0</u>	<u>852,606</u>
Operating Cash Disbursements			
Personal Services	223,247	0	223,247
Employee Fringe Benefits	90,521	0	90,521
Contractual Services	395,414	0	395,414
Supplies and Materials	265,055	0	265,055
Other	4,754	0	4,754
<i>Total Operating Cash Disbursements</i>	<u>978,991</u>	<u>0</u>	<u>978,991</u>
<i>Operating Income (Loss)</i>	<u>(126,385)</u>	<u>0</u>	<u>(126,385)</u>
Non-Operating Receipts (Disbursements)			
Other Financing Sources	676	0	676
Mayor's Court Fines and Fees	0	15,376	15,376
Property and Other Local Taxes	121	0	121
Miscellaneous Receipts	5,365	0	5,365
Mayor's Court Distribution of Fines and Fees	0	(14,957)	(14,957)
Principal Retirement	(184,550)	0	(184,550)
Interest and Other Fiscal Charges	(56,534)	0	(56,534)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(234,922)</u>	<u>419</u>	<u>(234,503)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(361,307)</u>	<u>419</u>	<u>(360,888)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,322,943</u>	<u>390</u>	<u>1,323,333</u>
<i>Fund Cash Balances, December 31</i>	<u>\$961,636</u>	<u>\$809</u>	<u>\$962,445</u>

See accompanying notes to the basic financial statements

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Shadyside (the Village), Belmont County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and police services.

The Village is involved with Bel-O-Mar Regional Council, Eastern Ohio Regional Transit Authority and the OR&W Fire District, which are defined as jointly-governed organizations. Note 12 to the financial statements provides additional information for these entities. The Village also participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Police Levy Fund – This fund receives property tax money to provide police services.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. There was no activity in the debt service funds for the period January 1, 2017 through December 31, 2017.

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. There was no activity in the capital project funds for the period January 1, 2017 through December 31, 2017.

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 Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

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's Mayor's Court.

Basis of Accounting

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

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

Budgetary Process

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

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. Appropriations lapse at year end.

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

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.

Fund Balance

Fund balance is divided into three 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:

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.

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.

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

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Note 3 - Compliance

Contrary to Ohio Rev. Code § 5705.42, Ohio Department of Transportation (ODOT) activity was not recorded on the Village's books.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$454,289	\$678,708	\$224,419
Special Revenue	293,300	650,441	357,141
Enterprise	798,170	858,768	60,598
Total	\$1,545,759	\$2,187,917	\$642,158

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$998,250	\$604,726	\$393,524
Special Revenue	814,352	778,052	36,300
Debt Service	4,511	0	4,511
Capital Projects	1,932	0	1,932
Enterprise	2,118,059	1,220,075	897,984
Total	\$3,937,104	\$2,602,853	\$1,334,251

Note 5 – 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:

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 5 – Deposits (Continued)

	2017
Demand deposits	<u>\$1,990,930</u>

Deposits

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

Note 6 – Taxes

Property Taxes

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.

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

Note 7 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 7 - Risk Management (Continued)

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool’s membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village’s share of these unpaid claims collectible in future years is approximately \$16,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2017 Contributions to PEP</u>
\$24,915

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 8 - Defined Benefit Pension Plans (Continued)

Ohio Public Employees Retirement System

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

Several of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$472,290	0-2%
Ohio Water Development Authority Loans	3,534,406	1.0-4.79%
Total	<u>\$4,006,696</u>	

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 10 – Debt (Continued)

The Ohio Public Works Commission (OPWC) loans relate to storm sewer system replacement and water system improvements payable in semi-annual installments at annual percentage rates of 0% to 2%, with final payment due January 1, 2043. The storm sewer system replacement loan is paid from the General and Sewer Debt Fund. The water system improvements loan is paid from the Water Debt Service Fund and is collateralized by water utility receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) loans relate to a water plant generator, sewer collection system improvements, and reservoir embankment repairs payable in semi-annual installments at annual percentage rates of 1.00% to 4.79%, with final payment due July 1, 2042. The loans are secured by water and sewer utility receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Amortization

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

Year Ending December 31:	OPWC Loan	OWDA Loan
2018	\$13,762	\$110,529
2019	27,524	221,059
2020	27,524	221,059
2021	27,524	221,059
2022	27,524	221,059
2023-2027	94,058	1,105,293
2028-2032	83,167	999,607
2033-2037	83,167	576,855
2038-2042	83,167	517,911
2043	8,316	0
Total	\$475,733	\$4,194,431

Note 11 - Contingent Liabilities

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, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 12 – 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 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.
- C. OR&W Fire District** (the Fire District) was created by a resolution of both the Village of Shadyside and Mead Township under the authority of Ohio Revised Code § 505.731. The Fire District is operated by a five member board. One member is a member of the Board of Trustees of Mead Township appointed by the Board of Trustees, one member is a member of the Council of the Village of Shadyside appointed by Council, one member is a nonmember of the Board of Trustees of Mead Township appointed by the Board of Trustees, one member is a nonmember of the Council of the Village of Shadyside appointed by Council, and one member is appointed by the existing board members. The Fire District hires and fires its own staff and does not rely on the Village to finance deficits. The Village is not financially accountable for the Fire District nor is the Fire District financially dependent on the Village. The Fire District serves as its own budgeting, taxing and debt issuance authority.

Note 13 – Subsequent Events

A. Water Meter Replacement Project and Ohio Water Development Authority

The Village new water meter replacement project is still ongoing with Badger Meter System approved at \$401,318, Newman Plumbing of \$228,384 for the installation, and other technical services and related fees of \$74,441 for the total amount of \$704,143. The Village was approved for a 20-year loan with the Ohio Water Development Authority to cover these costs on April 26, 2018. Payment on the loan is to begin on January 1, 2020 and end on July 1, 2039.

B. Water and Sewer Utility Rate Increase

On April 3, 2018, the Board of Public Affairs approved to increase water rates. Also, on July 3, 2018, the Board of Public Affairs approved an increase in water usage allowance of 0-6,000 gallons over a 3-month period for residential customers. On June 11, 2018, Village Council approved to increase sewer rates.

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Village of Shadyside, Ohio
Belmont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$305,937	\$146,240	\$0	\$0	\$452,177
Intergovernmental	161,709	711,084	0	0	872,793
Charges for Services	6,276	0	0	0	6,276
Fines, Licenses and Permits	9,235	0	0	0	9,235
Earnings on Investments	10,564	1,192	0	0	11,756
Miscellaneous	9,132	2,503	0	0	11,635
<i>Total Cash Receipts</i>	<u>502,853</u>	<u>861,019</u>	<u>0</u>	<u>0</u>	<u>1,363,872</u>
Cash Disbursements					
Current:					
Security of Persons and Property	279,445	133,598	0	0	413,043
Public Health Services	15,089	0	0	0	15,089
Leisure Time Activities	1,932	0	0	0	1,932
Transportation	32,183	230,710	0	0	262,893
General Government	247,830	2,685	0	0	250,515
Capital Outlay	0	533,788	0	29,693	563,481
<i>Total Cash Disbursements</i>	<u>576,479</u>	<u>900,781</u>	<u>0</u>	<u>29,693</u>	<u>1,506,953</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(73,626)</u>	<u>(39,762)</u>	<u>0</u>	<u>(29,693)</u>	<u>(143,081)</u>
<i>Fund Cash Balances, January 1</i>	<u>626,291</u>	<u>562,768</u>	<u>4,511</u>	<u>31,625</u>	<u>1,225,195</u>
Fund Cash Balances, December 31					
Restricted	0	523,006	4,511	1,932	529,449
Assigned	543,961	0	0	0	543,961
Unassigned (Deficit)	8,704	0	0	0	8,704
<i>Fund Cash Balances, December 31</i>	<u>\$552,665</u>	<u>\$523,006</u>	<u>\$4,511</u>	<u>\$1,932</u>	<u>\$1,082,114</u>

See accompanying notes to the basic financial statements

Village of Shadyside, Ohio
Belmont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Type	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$845,861	\$0	\$845,861
<i>Total Operating Cash Receipts</i>	<u>845,861</u>	<u>0</u>	<u>845,861</u>
Operating Cash Disbursements			
Personal Services	211,548	0	211,548
Employee Fringe Benefits	93,195	0	93,195
Contractual Services	160,117	0	160,117
Supplies and Materials	146,137	0	146,137
Other	6,103	0	6,103
<i>Total Operating Cash Disbursements</i>	<u>617,100</u>	<u>0</u>	<u>617,100</u>
<i>Operating Income (Loss)</i>	<u>228,761</u>	<u>0</u>	<u>228,761</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	115	0	115
Mayor's Court Fines and Fees	0	11,355	11,355
Mayor's Court Distribution of Fines and Fees	0	(11,825)	(11,825)
Principal Retirement	(253,373)	0	(253,373)
Interest and Other Fiscal Charges	(90,170)	0	(90,170)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(343,428)</u>	<u>(470)</u>	<u>(343,898)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(114,667)</u>	<u>(470)</u>	<u>(115,137)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,437,610</u>	<u>860</u>	<u>1,438,470</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,322,943</u>	<u>\$390</u>	<u>\$1,323,333</u>

See accompanying notes to the basic financial statements

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Shadyside (the Village), Belmont County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and police services.

The Village is involved with Bel-O-Mar Regional Council, Eastern Ohio Regional Transit Authority and the OR&W Fire District, which are defined as jointly-governed organizations. Note 11 to the financial statements provides additional information for these entities. The Village also participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Loop Project Fund - This fund received federal grant money from the Ohio Department of Transportation for construction and improvements within the Village.

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. There was no activity in the debt service funds for the period January 1, 2016 through December 31, 2016.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital projects fund:

Bond Construction Fund - There were no receipts in this fund for the period January 1, 2016 through December 31, 2016. Expenditures of this fund were for electric for loop project.

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 Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

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's Mayor's Court.

Basis of Accounting

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

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

Budgetary Process

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

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

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.

Fund Balance

Fund balance is divided into three 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:

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.

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.

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$446,179	\$502,853	\$56,674
Special Revenue	728,268	861,019	132,751
Enterprise	784,000	845,976	61,976
Total	\$1,958,447	\$2,209,848	\$251,401

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,076,150	\$576,479	\$499,671
Special Revenue	1,281,133	900,781	380,352
Debt Service	139	0	139
Capital Projects	31,625	29,693	1,932
Enterprise	2,218,868	960,643	1,258,225
Total	\$4,607,915	\$2,467,596	\$2,140,319

Note 4 – 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:

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 4 – Deposits (Continued)

	2016
Demand deposits	\$2,405,447

Deposits

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

Note 5 – Taxes

Property Taxes

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.

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

Note 6 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 6 - Risk Management (Continued)

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$15,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2016 Contributions to PEP</u> \$23,650
--

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 7 - Defined Benefit Pension Plans (Continued)

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Social Security

Some of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$498,540	0-2%
Ohio Water Development Authority Loans	3,697,510	1.0-4.79%
Total	<u>\$4,196,050</u>	

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 9 – Debt (Continued)

The Ohio Public Works Commission (OPWC) loans relate to storm sewer system replacement and water system improvements payable in semi-annual installments at annual percentage rates of 0% to 2%, with final payment due January 1, 2043. The storm sewer system replacement loan is paid from the General and Sewer Debt Fund. The water system improvements loan is paid from the Water Debt Service Fund and is collateralized by water utility receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) loans relate to a water plant generator, sewer collection system improvements, and reservoir embankment repairs payable in semi-annual installments at annual percentage rates of 1.00% to 4.79%, with final payment due July 1, 2042. The loans are secured by water and sewer utility receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Amortization

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

Year Ending December 31:	OPWC Loan	OWDA Loan
2017	\$13,762	\$110,529
2018	27,524	221,059
2019	27,524	221,059
2020	27,524	221,059
2021	27,524	221,059
2022-2026	104,949	1,105,293
2027-2031	83,167	1,105,293
2032-2036	83,167	626,855
2037-2041	83,167	538,611
2042-2043	24,950	94,670
Total	\$503,258	\$4,465,487

Note 10 - Contingent Liabilities

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, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 11 – 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 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.
- C. OR&W Fire District** (the Fire District) was created by a resolution of both the Village of Shadyside and Mead Township under the authority of Ohio Revised Code § 505.731. The Fire District is operated by a five member board. One member is a member of the Board of Trustees of Mead Township appointed by the Board of Trustees, one member is a member of the Council of the Village of Shadyside appointed by Council, one member is a nonmember of the Board of Trustees of Mead Township appointed by the Board of Trustees, one member is a nonmember of the Council of the Village of Shadyside appointed by Council, and one member is appointed by the existing board members. The Fire District hires and fires its own staff and does not rely on the Village to finance deficits. The Village is not financially accountable for the Fire District nor is the Fire District financially dependent on the Village. The Fire District serves as its own budgeting, taxing and debt issuance authority.

Note 12 – Subsequent Events

A. Water Meter Replacement Project and Ohio Water Development Authority

The Village entered into a contract to replace the water meters in the Village on November 13, 2017 with Badger Meter System approved at \$401,318, Newman Plumbing of \$228,384 for the installation, and other technical services and related fees of \$74,441 for the total amount of \$704,143. The Village was approved for a 20-year loan with the Ohio Water Development Authority to cover these costs on April 26, 2018. Payment on the loan is to begin on January 1, 2020 and end on July 1, 2039.

B. Sewer Rate Increase

The Village Utility Department approved of a sewer utility rate increase of a flat rate of \$1.75 to be added to each bill and will go into effect on the first billing in April 2017.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Shadyside, Belmont County, Ohio, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated July 13, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2017-001 through 2017-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 2017-001.

Village's Response to Findings

The Village's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

July 13, 2018

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.42 states when the United States government or the state or any department, division, agency, authority, or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection within the meaning of § 5705.41 of the Revised Code.

Auditor of State (AOS) Bulletin 2000-008 provides guidance for cash basis accounting for on-behalf funding. In short, the Bulletin indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made. In addition, the applicable budgetary legal requirements should be followed for the program the same as if the moneys were received and expended by the local government. Ohio Rev. Code § 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

In 2017, the Village received on-behalf payments from the Ohio Department of Transportation (ODOT) for utility reallocation in the amount of \$311,711. The Fiscal Officer did not record an on-behalf of receipt and expenditure in the accounting system for this amount in the Loop Project/ODOT Special Revenue Fund.

The Village adjusted the accompanying financial statements to properly reflect the on-behalf of receipt and expenditure activity of the grant monies received from ODOT.

When the Village receives a grant or loan from the state or other subdivision the Fiscal Officer should record the "deemed appropriated" amount to the accounting records. The Village should also refer to AOS Bulletins 2000-008 and 2002-004 and follow the recommended accounting treatment for the ODOT funding expended directly to contractors on-behalf of the Village, whether a grant or a loan.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-002

Material Weakness

The Village should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-002 (Continued)

Material Weakness (Continued)

During 2017 and 2016, the Village Fiscal Officer did not accurately post budgeted receipts, and any amendments made to them, to the accounting system. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system. The following table details these variances:

Fund	Amount per Last Amended Certificate	Amount Posted to the Accounting System	Variance
2017:			
General	\$454,289	\$449,804	\$4,485
Sewer Debt Service	122,170	187,622	(65,452)
2016:			
Loop Project	423,934	0	423,934

At December 31, 2016, variances existed between the legislatively approved appropriation resolution/amendments, as noted in the minute record, and the amounts posted to the accounting system in the Loop Project, Special Revenue Fund. Appropriations for this fund were passed by Village Council for \$423,934 but the Village Fiscal Officer did not post any appropriations for this fund to the accounting system. This variance represents the ODOT loop project on-behalf payments for the project.

Because the information entered into the accounting system was inaccurate, Village management was unable to effectively monitor budgetary activity throughout the year. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted receipts as certified by the County Auditor and appropriations approved by the Village Council.

The Fiscal Officer should ensure that the original budgeted receipts approved by the County Budget Commission and appropriations as approved by Village Council, plus any approved amendments and supplementals, agree to the amounts posted to the accounting system.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-003

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-003 (Continued)

Material Weakness (Continued)

The Ohio Village Handbook (revised March 2018) 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 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 and disbursements into accurate classifications, or record all such transactions, based upon the source of the receipt or the nature of the disbursement.

Also, the Village did not properly classify its December 31, 2017 and 2016 governmental fund cash balances in accordance with Governmental Accounting Standards Board (GASB) Statement Number 54 - Fund Balance Reporting and Governmental Fund Type Definitions, effective for fiscal years beginning after June 15, 2010.

We noted the following posting errors in 2017:

- Mayor's court fines and fees receipts and distribution activity were not posted to the accounting system as an agency fund. Total court fines and fees were \$15,376 and total distributions were \$14,959.
- Cost Allocation owed to the General Fund from the Water Operating and Sewer Operating Funds in the amounts of \$131,214 and \$40,689, respectively, were posted directly to the General Fund, instead of being posted to their proper funds as Charges for Services and then expended out to the General Fund. In addition, the Village classified these cost reimbursements as Miscellaneous Revenue instead of Charges for Services within the General Fund in the amount of \$171,903.
- The General Fund amount appropriated over estimated receipts in the next fiscal year was classified as unassigned rather than assigned in the amount of \$625,326.

We noted the following posting errors in 2016:

- Mayor's court fines and fees receipts and distribution activity were not posted to the accounting system as an agency fund. Total court fines and fees were \$11,355 and total distributions were \$11,825.
- An Ohio Department of Transportation (ODOT) receipt in the amount of \$72,769 was posted as Miscellaneous Revenue instead of Intergovernmental in the Swamburg Trust Special Revenue Fund.
- An expenditure for the Central Avenue Loop Project utility reallocation in the amount of \$29,693 was posted to Other Financing Uses instead of Capital Outlay in the General Street Assessment Capital Projects Fund.
- The General Fund amount appropriated over estimated receipts in the next fiscal year was classified as unassigned rather than assigned in the amount of \$543,961.

The above adjustments, to which management agrees, are reflected in the accompanying financial statements.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-003 (Continued)

Material Weakness (Continued)

Additionally, the following error was noted that was not deemed significant and is not reflected in the accompanying financial statements:

In 2017, the Village received \$6,818 from American Electric Power (AEP) for an incentive energy efficient program. Of this total, \$5,600 was to be allocated to the Service (Street) Department and \$1,218 was to be allocated to the Village's General Fund. The Village posted the entire amount of \$6,818 to the General Fund.

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the Villages financial position and operations.

The Village Fiscal Officer should utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions. This guidance will help ensure the Fiscal Officer makes proper postings to receipt and expenditure account classifications based on the source of the receipt and nature of the expenditure. Also, the Village Fiscal Officer may refer to Auditor of State Bulletin 2011- 004 for additional guidance regarding fund balance classifications.

Officials' Response: In regards to the fund balance classifications, the UAN accounting system only allows 1 classification. The Fiscal Officer will use assigned in the future. For the AEP rebate, the General Fund pays street light bills and since the rebate was for street lights the Fiscal Officer allocated the entire rebate to the General Fund.



MAYOR ROBERT A. NEWHART
VILLAGE OF SHADYSIDE, OHIO

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VILLAGE OF SHADYSIDE
BELMONT COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Noncompliance – Ohio Rev. Code § 5705.42 On-Behalf Payments	Not Corrected	Correcting
2015-002	Noncompliance – Ohio Rev. Code §5705.10 (C) and (D) – Receipt Classification	Corrected	
2015-003	Material Weakness – Receipt and Expenditure Classification	Not Corrected	Correcting

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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
AUGUST, 9 2018