



**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998-1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Council Members
Village of Proctorville
Lawrence County
P.O. Box 406
Proctorville, Ohio 45669

We have audited the accompanying financial statements of the Village of Proctorville, Lawrence County, as of and for the years ended December 31, 1998 and December 31, 1997. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Proctorville, Lawrence County, as of December 31, 1998 and December 31, 1997, and its combined cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 1999 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Village of Proctorville
Lawrence County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of the management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

November 25, 1999

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Taxes	\$18,373	\$5,860	\$0	\$0	\$24,233
Intergovernmental	106,281	31,965	0	80,831	219,077
Fines, Licenses, and Permits	68,460	0	0	0	68,460
Charges for Services	0	0	6,291	0	6,291
Interest	624	1,089	0	0	1,713
Miscellaneous	23,427	0	0	0	23,427
Total Cash Receipts	217,165	38,914	6,291	80,831	343,201
Cash Disbursements:					
Current:					
General Government	50,151	23,938	0	0	74,089
Public Safety	167,972	0	0	0	167,972
Transportation	0	1,171	0	0	1,171
Leisure time activities	1,089	0	0	0	1,089
Debt Service:					
Redemption of Principal	0	0	5,600	0	5,600
Interest	0	0	314	0	314
Capital Outlay	14,652	14,807	0	80,831	110,290
Total Cash Disbursements	233,864	39,916	5,914	80,831	360,525
Excess of Cash Receipts Over/(Under) Cash Disbursements	(16,699)	(1,002)	377	0	(17,324)
Fund Cash Balances, January 1	28,779	22,688	(377)	0	51,090
Fund Cash Balances, December 31	<u>\$12,080</u>	<u>\$21,686</u>	<u>\$0</u>	<u>\$0</u>	<u>\$33,766</u>

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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS AND CHANGES IN FUND CASH
BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND -
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$80,465	\$0	\$80,465
Miscellaneous	81,325	0	81,325
Total Operating Cash Receipts	161,790	0	161,790
Operating Cash Disbursements:			
Personal Services	34,450	0	34,450
Contractual Services	1,727	0	1,727
Supplies and Materials	27,763	0	27,763
Capital Outlay	348,452	0	348,452
Total Operating Cash Disbursements	412,392	0	412,392
Operating Income/(Loss)	(250,602)	0	(250,602)
Non-Operating Cash Receipts:			
Proceeds from Loans	310,511	0	310,511
Other Non-Operating Revenues	0	88,328	88,328
Total Non-Operating Cash Receipts	310,511	88,328	398,839
Non-Operating Cash Disbursements:			
Debt Service:			
Redemption of Principal	46,809	0	46,809
Interest	15,053	0	15,053
Other Non-Operating Cash Disbursements	0	85,615	85,615
Total Non-Operating Cash Disbursements	61,862	85,615	147,477
Net Receipts Over/(Under) Disbursements	(1,953)	2,713	760
Fund Cash Balances, January 1	62,702	1,923	64,625
Fund Cash Balances, December 31	<u>\$60,749</u>	<u>\$4,636</u>	<u>\$65,385</u>

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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Taxes	\$17,077	\$5,216	\$0	\$0	\$22,293
Intergovernmental	97,150	57,565	0	218,200	372,915
Fines, Licenses, and Permits	75,787	0	0	0	75,787
Interest	1,474	918	0	0	2,392
Miscellaneous	15,398	0	0	0	15,398
Total Cash Receipts	206,886	63,699	0	218,200	488,785
Cash Disbursements:					
Current:					
General Government	56,180	25,986	0	0	82,166
Public Safety	157,383	8,009	0	0	165,392
Transportation	0	1,953	0	0	1,953
Leisure Time Activities	1,189	0	0	0	1,189
Debt Service:					
Redemption of Principal	0	0	5,600	0	5,600
Interest	0	0	627	0	627
Capital Outlay	370	21,018	0	218,200	239,588
Total Cash Disbursements	215,122	56,966	6,227	218,200	496,515
Excess of Cash Receipts Over/(Under) Cash Disbursements	(8,236)	6,733	(6,227)	0	(7,730)
Fund Cash Balances, January 1	37,015	15,955	5,850	0	58,820
Fund Cash Balances, December 31	\$28,779	\$22,688	(\$377)	\$0	\$51,090

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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS AND CHANGES IN FUND CASH
BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND -
FOR THE YEAR ENDED DECEMBER 31, 1997

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$57,631	\$0	\$57,631
Miscellaneous	19,315	0	19,315
Total Operating Cash Receipts	76,946	0	76,946
Operating Cash Disbursements:			
Personal Services	22,285	0	22,285
Travel Transportation	192	0	192
Contractual Services	2,237	0	2,237
Supplies and Materials	22,102	0	22,102
Capital Outlay	16,707	0	16,707
Total Operating Cash Disbursements	63,523	0	63,523
Operating Income/(Loss)	13,423	0	13,423
Non-Operating Cash Receipts:			
Proceeds from Loans	4,489	0	4,489
Other Non-Operating Revenues	0	90,610	90,610
Total Non-Operating Cash Receipts	4,489	90,610	95,099
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	93,795	93,795
Total Non-Operating Cash Disbursements	0	93,795	93,795
Net Receipts Over/(Under) Disbursements	17,912	(3,185)	14,727
Fund Cash Balances, January 1	44,790	5,108	49,898
Fund Cash Balances, December 31	<u>\$62,702</u>	<u>\$1,923</u>	<u>\$64,625</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Proctorville, Lawrence 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. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including maintenance of roads and police and fire protection, as well as providing water service for the citizens.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

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

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money to construct, maintain and repair Village streets.

Highway Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money to construct, maintain, and repair Village Highways.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds (Continued)

Firefighting Fund - This fund receives tax monies for the purpose of providing fire protection to the Village.

FEMA Fund - This fund receives money from the Federal Emergency Management Agency to provide flood relief to the Village.

Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

Municipal Bond Retirement Fund - This fund receives monies for the retirement of debt.

Capital Projects Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Water Plant Construction Fund - This fund receives proceeds of grants and general obligation loans. The proceeds are being used to construct a new water plant.

Fiduciary Fund

Funds for which the Village is acting in an agency capacity are classified as Agency Funds. The Village had the following significant Fiduciary Fund:

Agency Fund - This fund includes activities of the Village's Mayor's Court.

Enterprise Funds

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

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

Water Deposit Fund - This fund receives deposits from residents as security in the event bills are not paid.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

Appropriations

Budgetary expenditures (i.e., 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.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus beginning of the year fund cash balances. The County Budget Commission must also approve estimated resources.

Encumbrances

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

A summary of 1998 and 1997 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1998</u>	<u>1997</u>
Demand Deposits	<u>\$99,151</u>	<u>\$115,715</u>

Deposits

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

3. PRIOR PERIOD RESTATEMENT

For the year ended December 31, 1997, certain adjustments have resulted in fund balance restatements. The following provides details of these adjustments and the resultant effect on fund balance:

	Fund Balance Previously Reported at December 31, 1996	Restatement Amount	Fund Balance Restated as of January 1, 1997
Agency Fund	\$0	\$5,108	\$5,108

The fund balance of the Agency Fund was restated by \$5,108 due to adjustments made in the current year for the previous year.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1998 and December 31, 1997, follows:

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 139,598	\$ 217,165	\$ 77,567
Special Revenue	34,602	38,914	4,312
Debt Service	7,000	6,291	(709)
Capital Projects	80,831	80,831	0
Enterprise	<u>613,193</u>	<u>472,301</u>	<u>(140,892)</u>
Total	<u>\$875,224</u>	<u>\$ 815,502</u>	<u>\$ (59,722)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	Appropriation <u>Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$ 280,420	\$ 233,864	\$ 46,556
Special Revenue	60,250	39,916	20,334
Debt Service	6,227	5,914	313
Capital Projects	80,831	80,831	0
Enterprise	<u>702,293</u>	<u>474,254</u>	<u>228,039</u>
Total	<u>\$1,130,021</u>	<u>\$834,779</u>	<u>\$295,242</u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

1997 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 94,399	\$ 206,886	\$112,487
Special Revenue	34,354	63,699	29,345
Debt Service	6,228	0	(6,228)
Capital Projects	139,804	218,200	78,396
Enterprise	<u>66,489</u>	<u>81,435</u>	<u>14,946</u>
Total	<u>\$341,274</u>	<u>\$ 570,220</u>	<u>\$228,946</u>

1997 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$ 249,950	\$ 215,122	\$ 34,828
Special Revenue	529,530	56,966	472,564
Debt Service	6,227	6,227	0
Capital Projects	454,804	218,200	236,604
Enterprise	<u>107,565</u>	<u>63,523</u>	<u>44,042</u>
Total	<u>\$1,348,076</u>	<u>\$560,038</u>	<u>\$788,038</u>

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. In 1997 the appropriations exceeded the estimated resources by \$912,641. In 1998 the appropriations exceeded the estimated resources by \$125,074.

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 1997, the expenditures exceeded appropriations at the legal level of control by \$37,751. At December 31, 1998, the expenditures exceeded appropriations at the legal level of control by \$16,824.

Ohio Rev. Code Section 5705.41 (D) states that no order or contract involving the expenditure of money is to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Certain liabilities, contracts, and open purchase commitments were not certified by the Clerk and/or encumbered until the time of payment. These commitments were not subsequently approved by the Board of Trustees within the aforementioned 30 day time period.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

6. DEBT

Debt outstanding at December 31, 1998, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water Treatment Plant Mortgage Loan	\$310,385	6.04%

The Water Treatment Plant Mortgage loan relates to a water treatment plant expansion project. Interest and principal payments on the above debt are to be \$2,265 per month, with one final payment for the balance of principal and interest due in the 60th month after completion of construction. The remaining principal balance may be renewed for subsequent five-year intervals, at the Bank's option, with the rate adjusted to the previous month's average 5-year Treasury Rate in effect at the time of renewal.

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

<u>Year ending December 31:</u>	<u>OWDA Loan</u>
1999	\$ 27,180
2000	27,180
2001	27,180
2002	27,180
2003	27,180
Subsequent	<u>261,305</u>
Total	<u><u>\$ 397,205</u></u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

6. DEBT (Continued)

The Municipal Building Bonds and the Ohio Water Development Authority Loan were retired as of December 31, 1998.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Fireman's Disability & Pension Fund (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1998 and 1997, PERS members of the PFDPF contributed 10% of their gross salaries to the PFDPF. The Village contributed an amount equal to 19.5% of their gross salaries. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1998.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- General liability and casualty
- Public official's liability
- Vehicle

9. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal year 1999.

The Village of Proctorville has completed an inventory of computer systems and other equipment that may be affected by the Year 2000 issue and that are necessary for conducting Village operations and has identified such systems as being financial reporting, payroll and employee benefits.

The Village utilizes Peachtree Accounting Software for its accounting and financial reporting system. The version of Peachtree Accounting Software implemented by the Village was reported to be Year 2000 compliant upon the installation of the software.

The Village utilizes Governmental Systems for the utility billing and collection operations. The Village is responsible for remediating the system. As of December 31, 1998, Governmental Systems reports that all current versions of their software have been remediated.

The Village Water Plant utilizes a control panel implemented by the Tonka Equipment Company. The Tonka Equipment Company has provided assurance to the Village that the Tonka control panels are being remediated.

The telecommunications system utilized by the Village Police Department is operated through Lawrence County's 911 System via equipment provided by the County. The County is responsible for remediating the system, and is solely responsible for any costs associated with this project.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

9. YEAR 2000 ISSUE (Continued)

The traffic control system maintained by the Village consists primarily of stop lights. These stop lights are mechanical in nature and are operated by electricity. The mechanical means by which the stop lights operate make them compatible for the Year 2000. Electricity used to operate the stop lights is provided by a vendor. The vendor is responsible for remediating the electricity system, and is solely responsible for any costs associated with this project.

Tax collection for the Village is handled by Lawrence County. The County is responsible for remediating the system, and is solely responsible for any costs associated with this project.

The State of Ohio distributes a substantial sum of money to the Village in the form of state grant payments. The State is responsible for remediating these systems.

The U.S. Department of Justice distributes a substantial sum of money to the Village in the form of federal grant payments. The U.S. Department of Justice is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Village is or will be Year 2000 ready, that the Village's remediation efforts will be successful in whole or in part, or that parties with whom the Village does business will be Year 2000 ready.

10. CONTINGENT LIABILITIES

At December 31, 1998, pending litigation existed against the Village. The attorney's office is uncertain as to the exact outcome of the lawsuit. The potential liability, if any, cannot be determined at this time.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

Village Council
Village of Proctorville
Lawrence County
P.O. Box 406
Proctorville, Ohio 45669

We have audited the financial statements of the Village of Proctorville, Lawrence County, as of and for the years ended December 31, 1998 and December 31, 1997, and have issued our report thereon dated November 25, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1998-30744-001, 1998-30744-002 and 1998-30744-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated November 25, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Proctorville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated November 25, 1999.

Village of Proctorville
Lawrence County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended for the information and use of the management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

November 25, 1999

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	1998-30744-001
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Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue.

The appropriations of the Village of Proctorville exceeded estimated revenues in the following funds for 1997 in the amounts noted: General Fund, \$119,359; State Highway Fund, \$1,434; Firefighting Fund, \$1,848; Federal Grant OPWCT943 Fund, \$225,000; Small Government Water and Sewer Program Fund, \$250,000; and the Water Plant Construction Fund \$315,000. In 1998 the appropriations of the Village exceeded estimated revenues in the following funds in the amounts noted: General Fund, \$120,338; State Highway Fund, \$1,970; and the Firefighting Fund, \$2,767. The total appropriations for 1997 exceeded the 1997 total estimated resources by \$912,641. The total appropriations for 1998 exceeded the 1998 total estimated resources by \$125,074. This could result in the Village Council authorizing expenditures for which the Village has no funds.

We recommend that the Village of Proctorville limit the appropriations to the amounts of the estimated revenues. If revenues are expected to increase, the Village should request an amended certificate of estimated resources and approve appropriations adjustments.

Finding Number	1998-30744-002
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Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During the testing of budgetary compliance, several line items were noted where expenditures exceeded approved appropriations. At December 31, 1997, the following line item expenditures exceeded appropriations by the noted amounts: Street Maintenance and Repair, Salaries \$1,769; Clerk-Treasurer Operation and Maintenance, \$2,977; Disaster Capital Outlay, \$3,300; Water Office Operations and Maintenance, \$5,960, and Mayor Operations and Maintenance, \$686. At December 31, 1998, the following line item expenditures exceeded appropriations by the amounts noted below: Police Salaries (Overtime), \$1,578; Police Capital Expenditures, \$5,205; Recreation Operation and Maintenance, \$89; Street Maintenance and Repair Salaries, \$466; Street Maintenance and Repair Salaries, \$2,744; Traffic Signals Operations and Maintenance, \$2,178; and Water Office Salaries, \$4,564. It was also noted that Council did not formally approve the appropriations for the Disaster Fund in 1997. This resulted in expenditures exceeding appropriations in the amount of \$23,059 for the Disaster Fund.

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	1998-30744-002 (Continued)
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We recommend that the Clerk-Treasurer and the Village Council monitor the budgetary activities of the Village more closely. When it is determined that further appropriations are necessary, the Council must approve such additional appropriations as long as they do not exceed the amounts allowed by law. We further recommend that the Council approve a detailed list of adjustments to strengthen the controls of the Village and to ensure that the Village is complying with the requirements of the Ohio Revised Code.

Finding Number	1998-30744-003
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Ohio Rev. Code Section 5705.41(D) states that: No order or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exception to this basic requirement is provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution of ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures of the taxing authority.

Certain liabilities, contracts, and open purchase commitments were not certified by the Clerk and/or encumbered until the time of payment. These commitments were not subsequently approved by the Board of Trustees within the aforementioned 30 day time period. Debt for the Village also consisted of unpaid invoices existing at year end. As of December 31, 1998, the Village of Proctorville had outstanding invoices of approximately \$5,498. This amount was paid in January 1999.

We recommend that the Clerk properly certify and/or encumber funds before the time of payment.



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VILLAGE OF PROCTORVILLE

LAWRENCE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 18, 2000**