



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2016 and 2015  
Fiscal Years Audited Under GAGAS: 2016 and 2015





# Dave Yost • Auditor of State

Village Council  
Village of Proctorville  
409 Elizabeth Street  
Proctorville, Ohio 45669

We have reviewed the *Independent Auditor's Report* of the Village of Proctorville, Lawrence County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Proctorville is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

October 30, 2017

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**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY, OHIO**

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For the Fiscal Years Ended December 31, 2016 and 2015*

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## **Independent Auditor's Report**

Village of Proctorville  
Lawrence County  
409 Elizabeth Street  
Proctorville, Ohio 45669

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 Proctorville, Lawrence County, (the Village), as of and for the years ended December 31, 2016 and 2015.

### ***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 Section 117.38 and Ohio Administrative Code Section 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 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 opinion.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using 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), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy 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 Section 117.38 and Ohio Administrative Code Section 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, 2016, and 2015, or 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 combined cash balances of the Village of Proctorville, Lawrence County, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2017 on our consideration of the Village's internal control over financial reporting and on 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 Standard* in considering the Village's internal control over financial reporting and compliance.



BHM CPA Group, Inc.  
Columbus, Ohio  
July 14, 2017



**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 29,977	\$ 5,706	\$ 35,683
Intergovernmental	20,489	32,812	53,301
Fines, Licenses, and Permits	122,280	4,604	126,884
Miscellaneous	<u>15,405</u>	<u>-</u>	<u>15,405</u>
Total Cash Receipts	<u>188,151</u>	<u>43,122</u>	<u>231,273</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	154,087	12,450	166,537
Transportation	-	30,220	30,220
General Government	<u>60,608</u>	<u>-</u>	<u>60,608</u>
Total Cash Disbursements	<u>214,695</u>	<u>42,670</u>	<u>257,365</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(26,544)</u>	<u>452</u>	<u>(26,092)</u>
<b>Other Financing Receipts (Disbursements):</b>			
Proceeds from Sale of Public Debt:			
Other Uses	<u>(210)</u>	<u>-</u>	<u>(210)</u>
Total Other Financing Receipts (Disbursements)	<u>(210)</u>	<u>-</u>	<u>(210)</u>
<i>Net Change in Fund Cash Balances</i>	(26,754)	452	(26,302)
Fund Cash Balances, January 1	<u>4,195</u>	<u>15,636</u>	<u>19,831</u>
Restricted	-	16,088	16,088
Unassigned	<u>(22,559)</u>	<u>-</u>	<u>(22,559)</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ (22,559)</u>	<u>\$ 16,088</u>	<u>\$ (6,471)</u>

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

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 129,249	\$ -	\$ 129,249
Total Operating Cash Receipts	<u>129,249</u>	<u>-</u>	<u>129,249</u>
<b>Operating Cash Disbursements</b>			
Personal services	67,664	-	67,664
Supplies and Materials	37,212	-	37,212
Other	<u>2,095</u>	<u>-</u>	<u>2,095</u>
Total Operating Cash Disbursements	<u>106,971</u>	<u>-</u>	<u>106,971</u>
<i>Operating Income (Loss)</i>	<u>22,278</u>	<u>-</u>	<u>22,278</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Capital Outlay	(434)	-	(434)
Debt Service:			-
Principal	(26,531)	-	(26,531)
Interest	(2,738)	-	(2,738)
Other Non-operating Receipts	-	138,236	138,236
Other Non-operating Disbursements	<u>-</u>	<u>(141,983)</u>	<u>(141,983)</u>
Total Non-Operating Receipts (Disbursements)	<u>(29,703)</u>	<u>(3,747)</u>	<u>(33,450)</u>
<i>Net Change in Fund Cash Balances</i>	(7,425)	(3,747)	(11,172)
Fund Cash Balances, January 1	<u>40,241</u>	<u>7,169</u>	<u>47,410</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 32,816</u>	<u>\$ 3,422</u>	<u>\$ 36,238</u>

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

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 28,261	\$ 5,961	\$ 34,222
Intergovernmental	38,386	33,373	71,759
Fines, Licenses, and Permits	140,655	4,216	144,871
Miscellaneous	<u>17,680</u>	<u>0</u>	<u>17,680</u>
Total Cash Receipts	<u>224,982</u>	<u>43,550</u>	<u>268,532</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	160,007	10,569	170,576
Transportation	-	32,151	32,151
General Government	<u>67,556</u>	<u>-</u>	<u>67,556</u>
Total Cash Disbursements	<u>227,563</u>	<u>42,720</u>	<u>270,283</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,581)</u>	<u>830</u>	<u>(1,751)</u>
<b>Other Financing Receipts (Disbursements):</b>			
Other Sources	4,000	-	4,000
Other Uses	<u>(500)</u>	<u>-</u>	<u>(500)</u>
Total Other Financing Receipts (Disbursements)	<u>3,500</u>	<u>-</u>	<u>3,500</u>
<i>Net Change in Fund Cash Balances</i>	919	830	1,749
Fund Cash Balances, January 1	<u>3,276</u>	<u>14,806</u>	<u>18,082</u>
Restricted	-	15,636	15,636
Unassigned	<u>4,195</u>	<u>-</u>	<u>4,195</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 4,195</u></u>	<u><u>\$ 15,636</u></u>	<u><u>\$ 19,831</u></u>

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

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 135,398	\$ -	\$ 135,398
Total Operating Cash Receipts	<u>135,398</u>	<u>-</u>	<u>135,398</u>
<b>Operating Cash Disbursements</b>			
Personal services	59,035	-	59,035
Supplies and Materials	40,973	-	40,973
Other	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total Operating Cash Disbursements	<u>102,508</u>	<u>-</u>	<u>102,508</u>
<i>Operating Income (Loss)</i>	32,890	-	32,890
<b>Non-Operating Receipts (Disbursements)</b>			
Capital Outlay	(1,965)	-	(1,965)
Debt Service:			
Principal	(21,664)	-	(21,664)
Interest	(3,235)	-	(3,235)
Other Non-operating Receipts	-	160,200	160,200
Other Non-operating Disbursements	<u>-</u>	<u>(157,329)</u>	<u>(157,329)</u>
Total Non-Operating Receipts (Disbursements)	<u>(26,864)</u>	<u>2,871</u>	<u>(23,993)</u>
<i>Net Change in Fund Cash Balances</i>	6,026	2,871	8,897
Fund Cash Balances, January 1	<u>34,215</u>	<u>4,298</u>	<u>38,513</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 40,241</u>	<u>\$ 7,169</u>	<u>\$ 47,410</u>

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

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Proctorville, Lawrence County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including water sanitation, roadway maintenance and repair, park operations, and police services.

The Village participates in the Public Entities Pool of Ohio (PEP) Inc. which is a public entity risk pool. See Note 8 for additional information regarding this organization.

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

**B. Accounting Basis**

These financial statements follow the accounting basis 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.

**C. 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.

The Village records money market mutual funds (including STAR Ohio) at the share value reported by the mutual fund.

The village does not have any investments.

**D. Fund Accounting**

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

**1. General Fund:**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Special Revenue Funds (continued):**

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

Fire Fighting Fund – This fund receives tax money for providing fire protection to the village.

**4. 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 one fund deemed as an enterprise fund:

Water Fund - This fund receives charges for services from residents to cover water service costs.

**5. Fiduciary Funds (Agency Fund):**

The Village has one agency fund which is purely custodial in nature and is used to hold resources for individuals, organizations or other government. The Mayor's Court fund receives monies for court fees, fines and forfeitures. On a monthly basis, these amounts are remitted to the Village, the State of Ohio, and other entities as prescribed law.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object by department 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 PROCTORVILLE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgetary Process (continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 and 2015 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

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

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Fund Balance (continued)**

**5. Unassigned**

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

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

**G. Property, Plant and Equipment**

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

**H. Accumulated Leave**

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

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	<u>2016</u>	<u>2015</u>
Demand deposits	\$26,345	\$60,072
Mayors court	<u>3,422</u>	<u>7,169</u>
Total deposits:	<u>\$29,767</u>	<u>\$67,241</u>

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



**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2016 and December 31, 2015, was as follows:

Fund Type	2016 Budgeted Receipts		Variance
	Budgeted Receipts	Actual Receipts	
General	\$ 275,000	\$ 188,151	\$ (86,849)
Special Revenue	55,001	43,122	(11,879)
Enterprise	137,000	129,249	(7,751)
Total	\$ 467,001	\$ 360,522	\$ (106,479)

2016 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$ 261,200	\$ 214,905	\$ 46,295
Special Revenue	61,000	42,670	18,330
Enterprise	164,000	136,674	27,326
Total	\$ 486,200	\$ 394,249	\$ 91,951

2015 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$ 275,700	\$ 228,063	\$ 47,637
Special Revenue	59,900	42,720	17,180
Enterprise	161,000	129,372	31,628
Total	\$ 496,600	\$ 400,155	\$ 96,445

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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.

**5. DEBT**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Various Purpose Revenue Bonds	\$62,700	2.00%
Citizens Deposit Bank Mortgage	32,136	4.49%
Total	\$94,836	

Various Purpose Revenue Bonds

The Village issued \$200,000 in Various Purpose Revenue Bonds in 2011. The proceeds of the bonds were used to redeem prior Village debt related to water plant improvements and to acquire police vehicles. The Village collateralized these bonds with revenues for the Village.

Citizens Deposit Bank Mortgage

The Village took out a twenty-year mortgage through Citizens Deposit bank in 2014 to purchase the Village hall. The loan amount was \$42,000 with an interest rate of 4.49% effective for 2017. The loan is secured by the deed to the property

	Various Revenue Bonds		Citizens Deposit Bank	
	Principal	Interest	Principal	Interest
Year				
2017	\$ 31,100	\$ 1,098	\$ 1,241	\$ 1,418
2018	31,600	474	1,361	1,298
2019	-	-	1,358	1,301
2020	-	-	1,420	1,239
2021	-	-	1,485	1,174
2022-2026	-	-	8,511	4,783
2027-2031	-	-	10,649	2,646
2032-2036	-	-	6,111	692
	\$ 62,700	\$ 1,572	\$ 32,136	\$ 14,551

**6. DEFINED BENEFIT PENSION PLANS**

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - Village employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**6. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 State and Local Employees	<b>Group C</b> Members in other Groups and members hired on or after January 7, 2013
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit <b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit <b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit <b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years
<b>Public Safety Employees</b>		
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit <b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit <b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 56 with 15 years of service credit <b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years
<b>Law Enforcement Employees</b>		
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit <b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit <b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 56 with 15 years of service credit <b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**6. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local Employees	Public Safety Employees	Law Enforcement Employees
<b>2016 and 2015 Statutory Maximum Contribution Rates</b>			
Employer	14.00%	18.10%	18.10%
Employee	10.00%	*	**
<b>2016 and 2015 Actual Contribution Rates</b>			
Employer:			
Pension	12.00%	16.10%	16.10%
Post-employment Health Care Benefits	<u>2.00%</u>	<u>2.00%</u>	<u>2.00%</u>
Total Employer	<u>14.00%</u>	<u>18.10%</u>	<u>18.10%</u>
Employee	<u>10.00%</u>	<u>12.00%</u>	<u>13.00%</u>

\* - This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* - This rate is also determined by OPERS' Board, but is limited to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was \$29,045 for year 2016 and \$28,919 for year 2015.

**7. POSTEMPLOYMENT BENEFITS**

OPERS offers 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 Agreement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2.0 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits

**8. RISK MANAGEMENT**

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

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

The Government 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.

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**8. RISK MANAGEMENT (continued)**

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.

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.

	<b>2015</b>	<b><u>2016</u></b>
Assets	\$38,307,677	\$42,182,281
Liabilities	<u>(12,363,257)</u>	<u>(13,396,700)</u>
Net Position	<u>\$25,944,420</u>	<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 Government's share of these unpaid claims collectible in future years is approximately \$6,100.

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.

<b><u>2016-2015 Contributions to PEP</u></b>
<b><u>2015 \$9,385</u></b>
<b><u>2016 \$9,782</u></b>

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**8. RISK MANAGEMENT (continued)**

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.

**9. CONTINGENT LIABILITIES**

The Village has assessed all subsequent events July 14, 2017, the date the financial statements were available to be issued. The Village has determined there are no contingent liabilities or subsequent events that require recognition or disclosure.

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**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Required by *Government Auditing Standards***

Village of Proctorville  
Lawrence County  
409 Elizabeth Street  
Proctorville, Ohio 45669

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Proctorville, Lawrence County, (the Village) as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements, and have issued our report thereon dated June 29, 2017, wherein we noted the Village followed financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 opinion 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 2016-002 and 2016-003 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2016-001 and 2016-004.

***Entity's Response to Findings***

The entity's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control testing 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 communication is not suitable for any other purpose.



BHM CPA Group, Inc.  
Piketon, Ohio  
July 14, 2017

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**Schedule of Findings  
December 31, 2016 and 2015**

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

**Finding 2016-001**

**Noncompliance – Negative Fund Balance**

**Ohio Rev. Code Section 5705.10(I)** requires that money paid into any fund shall be used only for the purposes for which such fund has been established. The existence of a deficit balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance. The Village’s General Fund reported a negative fund balance of \$22,559 at December 31, 2016.

The Village should develop and implement procedures to monitor fund cash balances and consider the reduction of disbursements, if possible, to avoid negative balances. When expenditures are anticipated to temporarily exceed available resources, the Village should consider an advance from the General Fund. The Village should refer to Auditor of State Bulletin 97-003 for guidance on the accounting treatment and approval process for advances.

**Client Response:**

The negative cash balance in question resulted from questionable acts committed prior to 2012 regarding how debt repayments were handled. As it was the Village’s intention to repay the debt over a significant period of time, the repayment of this deficit fund balance will take a significant period of time to resolve itself. The Village is committed to making transfers to that particular fund to resolve the deficit as resources are available within the general fund.

**Finding 2016-002**

**Material Weakness**

Sound financial reporting is the responsibility go the Village Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of our audit procedures we identified the following errors:

- In 2015 & 2015 we found instances of money receipted and deposited by the village for which a receipt was not issued.
- The Mayors Court activity was not included in the financial statements for either year.

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**Schedule of Findings  
December 31, 2016 and 2015**

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

**Client Response:**

The Village Fiscal Officer will work toward issuing receipts for all collections made by the village. The Fiscal officer will also work to include the Mayors Court transactions in their financial statements.

**Finding 2016-003**

**Material Weakness – Segregation of Duties**

Proper internal control procedures require that various duties be segregated among different employees. The duties of collecting, recording, depositing, reconciling, and disbursing of monies should be separated. Segregation of duties helps prevent, detect and timely correct errors to the financial system. There is insufficient segregation of duties in the offices of the Village of Proctorville. Specifically, we noted that the same employee prepares checks, reconciles bank accounts, prepares and makes deposits, and opens the mail for the Village.

Since there are a limited number of employees, there appears to be a limitation on what steps could be taken to properly segregate duties. The Officials should take special care to review financial documents for possible discrepancies.

**Client Response:**

The Client has indicated they will implement increased controls including the monitoring of financial activity by Council. Additional improvements will be made as they are financially feasible in the future.

**Finding 2016-004**

**Non-compliance – CPIM Training**

Subdivision treasurers must complete annual continuing education programs provided by the Treasurer of State (TOS). The TOS issues certificates indicating that the treasurer has successfully completed the continuing education program.

The continuing education requirement does not apply to a subdivision treasurer who annually provides a notice of exemption to the Auditor of State, certified by the Treasurer of State (and confirmable through the TOS searchable database weblink below) that the treasurer is not subject to the continuing education requirements because the treasurer invests or deposits public funds in the following investments only (Ohio Rev. Code § 135.22):

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**Schedule of Findings  
December 31, 2016 and 2015**

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

**Finding 2016-004 (Continued)**

- (1) Interim deposits pursuant to Ohio Rev. Code §§ 135.14(B)(3) or 135.145 (CDAR and similar programs);
- (2) STAR Ohio pursuant to Ohio Rev. Code § 135.14(B)(6);
- (3) No-load money market mutual funds pursuant to Ohio Rev. Code § 135.14 (B)(5)

Fiscal officer failed to file a notice of exemption.

**Client Response:**

The Village fiscal officer will attend required training or obtain the exemption approval.

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**Schedule of Prior Audit Findings  
December 31, 2016 and 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-001	Material Weakness – Financial Reporting	No	Reissued as 2016-002



# Dave Yost • Auditor of State

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  
NOVEMBER 9, 2017