



Dave Yost • Auditor of State

VILLAGE OF SHADYSIDE
BELMONT COUNTY

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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 and related notes of the Village of Shadyside, Belmont County, Ohio (the Village), as of and for the year ended December 31, 2012.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012, or changes in financial position or cash flows thereof for the year 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 Shadyside, Belmont County, as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013, 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

May 24, 2013

VILLAGE OF SHADYSDE
BELMONT COUNTY

**COMBINED STATEMENT OF RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$264,677	\$120,133			\$384,810
Intergovernmental	286,709	219,428			506,137
Charges for Services	102,406	74,912			177,318
Fines, Licenses and Permits	10,136				10,136
Earnings on Investments	243				243
Miscellaneous	3,038	5,049			8,087
	<u>667,209</u>	<u>419,522</u>	<u>\$0</u>	<u>\$0</u>	<u>1,086,731</u>
<i>Total Cash Receipts</i>					
Cash Disbursements:					
Current:					
Security of Persons and Property	303,161	185,518			488,679
Public Health Services	13,064				13,064
Leisure Time Activities	24,846				24,846
Transportation	44,359	132,619			176,978
General Government	186,449	3,386			189,835
Capital Outlay		7,953			7,953
Debt Service:					
Redemption of Principal	11,305	109,951			121,256
Interest and Fiscal Charges	1,674	7,082			8,756
	<u>584,858</u>	<u>446,509</u>	<u>0</u>	<u>0</u>	<u>1,031,367</u>
<i>Total Cash Disbursements</i>					
<i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	<u>82,351</u>	<u>(26,987)</u>	<u>0</u>	<u>0</u>	<u>55,364</u>
Other Financing Receipts/(Disbursements):					
Transfers In	255	2,134			2,389
Transfers Out		(2,389)			(2,389)
Other Financing Uses	(63)				(63)
	<u>192</u>	<u>(255)</u>	<u>0</u>	<u>0</u>	<u>(63)</u>
<i>Total Other Financing Receipts/(Disbursements)</i>					
<i>Net Change in Fund Cash Balances</i>	82,543	(27,242)	0	0	55,301
<i>Fund Cash Balances, January 1</i>	<u>499,596</u>	<u>828,061</u>	<u>4,511</u>	<u>33,375</u>	<u>1,365,543</u>
Fund Cash Balances, December 31					
Restricted		800,819	4,511	33,375	838,705
Unassigned	582,139				582,139
	<u>582,139</u>	<u>800,819</u>	<u>4,511</u>	<u>33,375</u>	<u>838,705</u>
<i>Fund Cash Balances, December 31</i>	<u>\$582,139</u>	<u>\$800,819</u>	<u>\$4,511</u>	<u>\$33,375</u>	<u>\$1,420,844</u>

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

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$830,536
Miscellaneous	40,131
	<u>870,667</u>
<i>Total Operating Cash Receipts</i>	<i>870,667</i>
Operating Cash Disbursements:	
Personal Services	185,362
Employee Fringe Benefits	75,953
Contractual Services	2,559,460
Supplies and Materials	129,635
Other	12,094
	<u>2,962,504</u>
<i>Total Operating Cash Disbursements</i>	<i>2,962,504</i>
<i>Operating Loss</i>	<i>(2,091,837)</i>
Non-Operating Cash Receipts (Cash Disbursements):	
Property and Other Local Taxes	2,459
Other Debt Proceeds	2,366,299
Miscellaneous Receipts	2,299
Redemption of Principal	(228,690)
Interest and Other Fiscal Charges	(83,037)
	<u>2,059,330</u>
<i>Total Non-Operating Cash Receipts/(Cash Disbursements)</i>	<i>2,059,330</i>
<i>Net Change in Fund Cash Balances</i>	<i>(32,507)</i>
<i>Fund Cash Balances, January 1</i>	<i>1,602,935</i>
<i>Fund Cash Balances, December 31</i>	<i><u><u>\$1,570,428</u></u></i>

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

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Shadyside, Belmont County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park and pool operations, fire, emergency medical, and police services.

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

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than 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 Apparatus Fund - This fund receives property tax money to provide for the general purposes of the volunteer fire department, including vehicles.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. 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, 2012 through December 31, 2012.

4. 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, 2012 through December 31, 2012.

5. Enterprise Funds

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

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

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

Water Systems Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance a new water system.

D. 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 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.

VILLAGE OF SHADYSIDE
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

D. 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 also approve estimated resources.

3. Encumbrances

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

A summary of 2012 budgetary activity appears in Note 3.

E. 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.

VILLAGE OF SHADYSIDE
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance (Continued)

4. Assigned

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

5. Unassigned

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

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

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Deposits

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

	2012
Demand deposits	<u>\$2,991,272</u>

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

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2012, follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$464,987	\$667,464	\$202,477
Special Revenue	418,631	421,656	3,025
Enterprise	3,119,348	3,241,724	122,376
Total	\$4,002,966	\$4,330,844	\$327,878

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$964,381	\$584,921	\$379,460
Special Revenue	1,246,403	448,898	797,505
Debt Service	4,511		4,511
Capital Projects	33,375		33,375
Enterprise	4,200,088	3,274,231	925,857
Total	\$6,448,758	\$4,308,050	\$2,140,708

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water Systems Improvement Fund by \$463,726, the Sewer Plant Improvement Fund by \$21,288, the Sewer Wastewater System Design Fund by \$23,887, the Water Project Debt Service Fund by \$39,051, and the Sewer Project Debt Service Fund by \$63,475 for the year ended December 31, 2012.

4. Property Tax

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

Public utilities are also taxed on personal and real property located within the Village.

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

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

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

5. Debt

Debt outstanding at December 31, 2012, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$107,060	0.02%
Ohio Water Development Authority Loans	<u>372,498</u>	4.79-6.87%
Total	<u><u>\$479,558</u></u>	

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

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

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

Year ending December 31:	<u>OPWC Loan</u>	<u>OWDA Loans</u>	<u>Grand Total</u>
2013	\$10,891	\$29,184	\$40,075
2014	10,891	58,368	69,259
2015	10,891	58,368	69,259
2016	10,891	19,122	30,013
2017	10,891	19,122	30,013
2018-2022	54,455	95,609	150,064
2023-2027	10,890	95,609	106,499
2028-2032		95,609	95,609
2033-2037		95,609	95,609
2038-2039		38,244	38,244
Total	<u><u>\$119,800</u></u>	<u><u>\$604,844</u></u>	<u><u>\$724,644</u></u>

The Village also has been approved for an Ohio Public Works Commission (OPWC) loan in the total amount of \$499,000 relating to improvements to the water system. As of December 31, 2012, \$498,635 in proceeds had been received by the Village. The final amount of the loan is subject to change based on the close-out of the project and the actual amounts utilized by the Village. The loan will be collateralized by water receipts.

As of December 31, 2012, the Ohio Water Development Authority (OWDA) approved up to \$4,337,541 in loans to the Village for various projects, including a water plant generator, sewer system improvements, sewer collection system improvements, and water system improvements. The Village will repay the loans in semiannual installments at an annual percentage rate from 1.00% - 2.00%, with final payment due July 1, 2042. As of December 31, 2012, \$3,968,006 plus capitalized interest of \$11,436 is the total amount drawn down on these loans.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

5. Debt (Continued)

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

6. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012, OP&F participants contributed 10% of their wages. For 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012, 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, 2012.

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

8. Contingent Liabilities

The Village is the defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

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

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

9. Jointly Governed Organizations

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

10. Subsequent Events

- A.** During 2008, the Village was awarded an Ohio Department of Transportation (ODOT) grant to aid in a median strip and streetscape project estimated at \$1,352,500. Of this amount, \$1,082,000 is the federally funded portion and \$270,500 is the Village's required local match. This project is now scheduled to begin during 2013.
- B.** The Village of Shadyside and the Mead Township Board of Trustees adopted a joint resolution by a majority of the members of both the legislative authority of the municipal corporation and the Township Trustees, creating a Joint Fire District comprising the municipal corporation and all or any portions of the Township as are mutually agreed upon. The Joint Fire District so created was given the name OR&W Fire District. While the resolution creating the Fire District was passed on November 14, 2011, the Fire District did not officially begin operations until April 1, 2013.



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 Village of Shadyside, Belmont County, Ohio (the Village), as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated May 24, 2013, wherein we noted the Village followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of 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. We consider findings 2012-02 and 2012-03 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-04 described in the accompanying Schedule of Findings to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2012-01 and 2012-02.

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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 24, 2013

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

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

FINDING NUMBER 2012-01

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

As of December 31, 2012, the Village's expenditures exceeded appropriations at the fund level for the following funds:

Fund Type / Fund	Appropriations	Expenditures	Variance
Enterprise Fund			
Water System Improvement	\$1,285,949	\$1,749,675	(\$463,726)
Sewer Plant Improvement	318,273	339,561	(21,288)
Sewer Waste Water System Design	47,373	71,260	(23,887)
Water Project Debt Service	0	39,051	(39,051)
Sewer Project Debt Service	108,164	171,639	(63,475)

The Village's failure to limit expenditures to the amounts appropriated could result in deficit spending.

We recommend Village Council and the Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, Village Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Village Fiscal Officer should deny requests for payment when appropriations are not available.

FINDING NUMBER 2012-02

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 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 section 5705.41 of the Revised Code.

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 Section 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-02 (Continued)

Noncompliance Citation and Material Weakness – Ohio Rev. Code Section 5705.42 (Continued)

The Village received Ohio Public Works Commission (OPWC) money for a loan for water system improvements in the amount of \$442,683. Of this amount, the Village Fiscal Officer recorded an appropriation and an on-behalf-of receipt and expenditure in the accounting system in the amount of \$333,099, leaving an unrecorded appropriation and on-behalf of receipt (Other Debt Proceeds) and expenditure (Contractual Services) in the amount of \$109,584.

The Village adjusted the accompanying financial statements and Note 3 to the financial statements to properly reflect the on-behalf of receipt and expenditure activity and the appropriation amounts of the loan/grant monies received from OPWC.

We recommend that when the Village receives a grant or loan from the state or other subdivision that the Village Fiscal Officer record the “deemed appropriated” amount to the accounting records.

We also recommend the Village refer to Auditor of State Bulletins 2000-008 and 2002-004 and follow the recommended accounting treatment for the OPWC funding expended directly to contractors on-behalf-of the Village, whether a grant or a loan.

FINDING NUMBER 2012-03

Material Weakness

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

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

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

The Village posted:

- Personal property replacement and reimbursement revenue in the amount of \$82,505 was posted as Property Taxes instead of Intergovernmental within various funds.
- Ohio Water Development Authority (OWDA) loan proceeds of \$339,561 was posted to “Sale of Notes” instead of “Other Debt Proceeds” within the OWDA Sewer Plant Fund.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012
(Continued)**

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

**FINDING NUMBER 2012-03
(Continued)**

Material Weakness (Continued)

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

We recommend the Village utilize available authoritative resources to appropriately classify and record all receipt transactions.

FINDING NUMBER 2012-04

Significant Deficiency

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.

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:

<u>Fund</u>	<u>Amount Per Last Amended Certificate</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
Water System Improvement	\$1,749,675	\$1,667,592	\$82,083
Sewer Waste Water System	71,261	85,026	(13,765)
Sewer Project Debt Service	81,123	108,164	(27,041)

The Village Fiscal Officer did not accurately post appropriations, and any amendments made to them, to the accounting system. Variances existed between the appropriation resolution/amendments and the amounts posted to the accounting system. The following table details these variances:

<u>Fund</u>	<u>Amount Per Annual Appropriation Resolution</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
Water System Improvement	\$1,285,949	\$1,749,674	(\$463,725)
Sewer Plant Improvement	318,273	350,512	(32,239)
Sewer Waste Water System Design	47,373	85,067	(37,694)
Water Project Debt Service	0	39,051	(39,051)
Sewer Project Debt Service	108,164	171,639	(63,475)

Because the information entered into the accounting system was inaccurate, the 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.

VILLAGE OF SHADYSIDE
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2012-04
(Continued)

Significant Deficiency (Continued)

We recommend the Village Fiscal Officer record only estimated receipts from the Certificate of Estimated Resources and any amendments thereto to the accounting system. We also recommend the Village Fiscal Officer post the appropriation resolution/amendments only after the required approvals have been obtained.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Rev. Code Section 5705.41(D)(1) for not always obtaining prior certification of availability of funds prior to incurring the obligation.	No	Partially Corrected; Noncompliance not deemed significant.
2011-02	Material weakness for not posting various on-behalf-of OWDA loan activity into the accounting system and also incorrect posting of receipts.	No	Not Corrected. Reissued as Finding Nos. 2012-02 and 2012-03.

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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
JUNE 27, 2013**