



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF SHADYSIDE
BELMONT COUNTY
DECEMBER 31, 2019 AND 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Shadyside, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Efficient • Effective • Transparent

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Shadyside, Belmont County as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2020, 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.



Keith Faber
Auditor of State
Columbus, Ohio

August 5, 2020

Village of Shadyside, Ohio
Belmont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$325,901	\$151,305	\$0	\$0	\$477,206
Intergovernmental	165,777	235,456	0	0	401,233
Charges for Services	19,643	0	0	0	19,643
Fines, Licenses and Permits	12,682	0	0	0	12,682
Earnings on Investments	10,109	1,032	0	0	11,141
Miscellaneous	33,073	43,175	0	0	76,248
<i>Total Cash Receipts</i>	<u>567,185</u>	<u>430,968</u>	<u>0</u>	<u>0</u>	<u>998,153</u>
Cash Disbursements					
Current:					
Security of Persons and Property	387,335	41,153	0	0	428,488
Public Health Services	10,276	0	0	0	10,276
Leisure Time Activities	1,800	4,634	0	0	6,434
Transportation	60,295	191,692	0	0	251,987
General Government	198,487	3,674	0	0	202,161
Capital Outlay	0	69,506	0	0	69,506
<i>Total Cash Disbursements</i>	<u>658,193</u>	<u>310,659</u>	<u>0</u>	<u>0</u>	<u>968,852</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(91,008)</u>	<u>120,309</u>	<u>0</u>	<u>0</u>	<u>29,301</u>
Non-Operating Receipts (Disbursements)					
Transfers In	0	25,000	0	0	25,000
Transfers Out	(25,000)	0	0	0	(25,000)
Other Financing Sources	68	0	0	0	68
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(24,932)</u>	<u>25,000</u>	<u>0</u>	<u>0</u>	<u>68</u>
<i>Net Change in Fund Cash Balances</i>	<u>(115,940)</u>	<u>145,309</u>	<u>0</u>	<u>0</u>	<u>29,369</u>
<i>Fund Cash Balances, January 1</i>	<u>654,239</u>	<u>383,481</u>	<u>4,511</u>	<u>1,932</u>	<u>1,044,163</u>
Fund Cash Balances, December 31					
Restricted	0	528,790	4,511	1,932	535,233
Assigned	269,374	0	0	0	269,374
Unassigned (Deficit)	268,925	0	0	0	268,925
<i>Fund Cash Balances, December 31</i>	<u>\$538,299</u>	<u>\$528,790</u>	<u>\$4,511</u>	<u>\$1,932</u>	<u>\$1,073,532</u>

See accompanying notes to the basic financial statements

Village of Shadyside, Ohio
Belmont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2019

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$1,146,473	\$0	\$1,146,473
<i>Total Operating Cash Receipts</i>	<u>1,146,473</u>	<u>0</u>	<u>1,146,473</u>
Operating Cash Disbursements			
Personal Services	242,440	0	242,440
Employee Fringe Benefits	102,010	0	102,010
Contractual Services	163,863	0	163,863
Supplies and Materials	186,626	0	186,626
Other	17,960	0	17,960
<i>Total Operating Cash Disbursements</i>	<u>712,899</u>	<u>0</u>	<u>712,899</u>
<i>Operating Income (Loss)</i>	<u>433,574</u>	<u>0</u>	<u>433,574</u>
Non-Operating Receipts (Disbursements)			
Other Non-Operating Cash Receipts	0	12,596	12,596
Property and Other Local Taxes	795	0	795
Loans Issued	162,029	0	162,029
Miscellaneous Receipts	1,000	0	1,000
Capital Outlay	(156,124)	0	(156,124)
Principal Retirement	(194,231)	0	(194,231)
Interest and Other Fiscal Charges	(62,215)	0	(62,215)
Other Non-Operating Cash Disbursements	0	(12,030)	(12,030)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(248,746)</u>	<u>566</u>	<u>(248,180)</u>
<i>Net Change in Fund Cash Balances</i>	184,828	566	185,394
<i>Fund Cash Balances, January 1</i>	<u>925,109</u>	<u>390</u>	<u>925,499</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,109,937</u>	<u>\$956</u>	<u>\$1,110,893</u>

See accompanying notes to the basic financial statements

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

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

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village is involved with Bel-O-Mar Regional Council, Eastern Ohio Regional Transit Authority and the OR&W Fire District, which are defined as jointly-governed organizations. Note 13 to the financial statements provides additional information for these entities. The Village also participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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, 2019 through December 31, 2019.

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, 2019 through December 31, 2019.

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

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

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

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

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

Basis of Accounting

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

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

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

A summary of 2019 budgetary activity appears in Note 4.

Deposits and Investments

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

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Capital Assets

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

Accumulated Leave

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

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:

Non-spendable: The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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.

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.

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

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

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

Note 3 - Compliance

Contrary to Ohio Rev. Code § 5705.10, several receipts and disbursements were posted to incorrect funds.

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$525,000	\$567,253	\$42,253
Special Revenue	336,939	455,968	119,029
Enterprise	1,423,100	1,310,297	(112,803)
Total	\$2,285,039	\$2,333,518	\$48,479

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$775,510	\$683,193	\$92,317
Special Revenue	623,821	310,659	313,162
Debt Service	4,511	0	4,511
Capital Projects	1,932	0	1,932
Enterprise	1,698,880	1,125,469	573,411
Total	\$3,104,654	\$2,119,321	\$985,333

Note 5 – Deposits

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

	2019 \$2,184,425
Demand deposits	

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Taxes

Property Taxes

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

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

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

Note 7 - Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System:

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

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2019.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$432,550	0-2%
Ohio Water Development Authority Loans	3,757,097	1-4.79%
Total	\$4,189,647	

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

The Ohio Water Development Authority (OWDA) loans relate to a water plant generator, water meter replacement, sewer collection system improvements, and reservoir embankment repairs payable in semi-annual installments at annual percentage rates of 1.00% to 4.79%, with final payment due July 1, 2042. As of December 31, 2019, the entire amount of the OWDA Water Meter Replacement loan has not been drawn down and is not included in the amortization schedule below. The Village made the first payment on December 10, 2019 for the pay date of January 1, 2020. The loans are secured by water and sewer utility receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Amortization

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

Year Ending December 31:	OPWC Loan	OWDA Loan
2020	\$27,524	\$109,579
2021	27,524	219,203
2022	27,524	219,266
2023	27,524	219,332
2024	16,633	219,401
2025-2029	83,167	1,098,168
2030-2034	83,167	783,413
2035-2039	83,167	574,963
2040-2043	58,217	287,169
Total	\$434,447	\$3,730,494

Note 11 – Construction and Contractual Commitments

The Village issued debt through the Ohio Water Development Authority to replace water meters. As of December 31, 2019 there is \$143,243 in undisbursed funds related to this project.

Note 12 – Contingent Liabilities

The Village is 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.

Note 13 – Jointly Governed Organizations

- A. Bel-O-Mar Regional Council** is operated as a not-for-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised Belmont County, Ohio and three counties in West Virginia (Ohio, Marshall and Wetzel Counties). The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by each local government within Belmont County. The Council is not dependent upon the Village of Shadyside for its continued existence, no debt exists, and the Village does not maintain an equity interest.

- B. Eastern Ohio Regional Transit Authority** (the Authority) was established to provide transportation to the residents of the Ohio Valley and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a board of directors that is appointed by the nine local mayors of the municipalities served by the Authority. The continued existence of the Authority is not dependent upon the Village’s continued participation and no equity interest exists for which the Village is responsible.

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

Note 14 – Subsequent Events

- A. Ohio Public Works Commission (OPWC) Grant/Loan Agreement** During the February 24, 2020 council meeting, Village Council approved Ordinance No. 1786 authorizing the Mayor and Fiscal Officer to enter into a contract with Shelly and Sands, Inc. for the OPWC Street Improvements Grant/Loan agreement. On July 1, 2020, the Village of Shadyside entered into an agreement with OPWC for a West 47th, Lincoln and Leona Street Repair for total estimated costs of \$705,715. In this agreement, the Village will spend \$183,500 in local public revenue, finance \$131,215 with OPWC, and will receive a grant in the amount of \$391,000.
- B. State of Emergency** The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Village of Shadyside, Ohio
Belmont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$307,023	\$146,692	\$0	\$0	\$453,715
Intergovernmental	162,488	159,654	0	0	322,142
Charges for Services	105,948	0	0	0	105,948
Fines, Licenses and Permits	12,041	0	0	0	12,041
Earnings on Investments	9,513	773	0	0	10,286
Miscellaneous	74,048	6,331	0	0	80,379
<i>Total Cash Receipts</i>	<u>671,061</u>	<u>313,450</u>	<u>0</u>	<u>0</u>	<u>984,511</u>
Cash Disbursements					
Current:					
Security of Persons and Property	300,543	133,582	0	0	434,125
Public Health Services	8,250	0	0	0	8,250
Leisure Time Activities	1,402	0	0	0	1,402
Transportation	43,261	180,023	0	0	223,284
General Government	250,767	2,628	0	0	253,395
Capital Outlay	33,800	9,131	0	0	42,931
Debt Service:					
Principal Retirement	4,930	0	0	0	4,930
Interest and Fiscal Charges	516	0	0	0	516
<i>Total Cash Disbursements</i>	<u>643,469</u>	<u>325,364</u>	<u>0</u>	<u>0</u>	<u>968,833</u>
<i>Net Change in Fund Cash Balances</i>	27,592	(11,914)	0	0	15,678
<i>Fund Cash Balances, January 1</i>	<u>626,647</u>	<u>395,395</u>	<u>4,511</u>	<u>1,932</u>	<u>1,028,485</u>
Fund Cash Balances, December 31					
Restricted	0	383,481	4,511	1,932	389,924
Assigned	254,833	0	0	0	254,833
Unassigned (Deficit)	399,406	0	0	0	399,406
<i>Fund Cash Balances, December 31</i>	<u>\$654,239</u>	<u>\$383,481</u>	<u>\$4,511</u>	<u>\$1,932</u>	<u>\$1,044,163</u>

See accompanying notes to the basic financial statements

Village of Shadyside, Ohio
Belmont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$951,550	\$0	\$951,550
<i>Total Operating Cash Receipts</i>	<u>951,550</u>	<u>0</u>	<u>951,550</u>
Operating Cash Disbursements			
Personal Services	219,618	0	219,618
Employee Fringe Benefits	92,550	0	92,550
Contractual Services	286,428	0	286,428
Supplies and Materials	140,735	0	140,735
Other	9,043	0	9,043
<i>Total Operating Cash Disbursements</i>	<u>748,374</u>	<u>0</u>	<u>748,374</u>
<i>Operating Income (Loss)</i>	<u>203,176</u>	<u>0</u>	<u>203,176</u>
Non-Operating Receipts (Disbursements)			
Other Non-Operating Cash Receipts	0	14,229	14,229
Property and Other Local Taxes	3,947	0	3,947
Loans Issued	414,827	0	414,827
Miscellaneous Receipts	14,916	0	14,916
Capital Outlay	(432,256)	0	(432,256)
Principal Retirement	(186,864)	0	(186,864)
Interest and Other Fiscal Charges	(54,273)	0	(54,273)
Other Non-Operating Cash Disbursements	0	(14,648)	(14,648)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(239,703)</u>	<u>(419)</u>	<u>(240,122)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(36,527)</u>	<u>(419)</u>	<u>(36,946)</u>
<i>Fund Cash Balances, January 1</i>	<u>961,636</u>	<u>809</u>	<u>962,445</u>
<i>Fund Cash Balances, December 31</i>	<u>\$925,109</u>	<u>\$390</u>	<u>\$925,499</u>

See accompanying notes to the basic financial statements

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

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

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village is involved with Bel-O-Mar Regional Council, Eastern Ohio Regional Transit Authority and the OR&W Fire District, which are defined as jointly-governed organizations. Note 13 to the financial statements provides additional information for these entities. The Village also participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. There was no activity in the debt service funds for the period January 1, 2018 through December 31, 2018.

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, 2018 through December 31, 2018.

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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

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

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

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

Basis of Accounting

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

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

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

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

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

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Capital Assets

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

Accumulated Leave

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

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:

Non-spendable: The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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.

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.

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

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

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

Note 3 - Compliance

Contrary to Ohio Rev. Code § 5705.10, several receipts and disbursements were posted to incorrect funds.

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$416,966	\$671,061	\$254,095
Special Revenue	295,095	313,450	18,355
Enterprise	1,359,143	1,385,240	26,097
Total	\$2,071,204	\$2,369,751	\$298,547

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,041,540	\$647,792	\$393,748
Special Revenue	669,617	327,133	342,484
Debt Service	4,511	0	4,511
Capital Projects	1,932	0	1,932
Enterprise	2,291,593	1,424,733	866,860
Total	\$4,009,193	\$2,399,658	\$1,609,535

Note 5 – Deposits

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

	2018
Demand deposits	\$1,969,662

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Taxes

Property Taxes

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

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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

Note 7 - Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

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

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$445,846	0-2%
Ohio Water Development Authority Loans	3,783,902	1-4.79%
Total	\$4,229,748	

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

The Ohio Water Development Authority (OWDA) loans relate to a water plant generator, water meter replacement, sewer collection system improvements, and reservoir embankment repairs payable in semi-annual installments at annual percentage rates of 1.00% to 4.79%, with final payment due July 1, 2042. As of December 31, 2018, the entire amount of the OWDA Water Meter Replacement loan has not been drawn down and is not included in the amortization schedule below. Payments on this loan are not required until 2020. The loans are secured by water and sewer utility receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Amortization

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

Year Ending December 31:	OPWC Loan	OWDA Loan
2019	\$13,762	\$109,533
2020	27,524	219,143
2021	27,524	219,203
2022	27,524	219,266
2023	27,524	219,332
2024-2028	83,167	1,097,769
2029-2033	83,167	888,595
2034-2038	83,167	574,321
2039-2043	74,850	402,430
Total	\$448,209	\$3,949,592

Note 11 – Construction and Contractual Commitments

The Village issued debt through the Ohio Water Development Authority to replace water meters. As of December 31, 2018 there is \$290,229 in undisbursed funds related to this project.

Note 12 – Contingent Liabilities

The Village is 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.

Note 13 – Jointly Governed Organizations

- A. Bel-O-Mar Regional Council** is operated as a not-for-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised Belmont County, Ohio and three counties in West Virginia (Ohio, Marshall and Wetzel Counties). The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by each local government within Belmont County. The Council is not dependent upon the Village of Shadyside for its continued existence, no debt exists, and the Village does not maintain an equity interest.

- B. Eastern Ohio Regional Transit Authority** (the Authority) was established to provide transportation to the residents of the Ohio Valley and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a board of directors that is appointed by the nine local mayors of the municipalities served by the Authority. The continued existence of the Authority is not dependent upon the Village’s continued participation and no equity interest exists for which the Village is responsible.

Village of Shadyside, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

Note 14 – Subsequent Events

- A. Ohio Public Works Commission (OPWC) Grant/Loan Agreement** During the February 24, 2020 council meeting, Village Council approved Ordinance No. 1786 authorizing the Mayor and Fiscal Officer to enter into a contract with Shelly and Sands, Inc. for the OPWC Street Improvements Grant/Loan agreement. On July 1, 2020, the Village of Shadyside entered into an agreement with OPWC for a West 47th, Lincoln and Leona Street Repair for total estimated costs of \$705,715. In this agreement, the Village will spend \$183,500 in local public revenue, finance \$131,215 with OPWC, and will receive a grant in the amount of \$391,000.
- B. State of Emergency** The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Shadyside, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated August 5, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2019-001 through 2019-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2019-001.

Village's Responses to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

August 5, 2020

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

Receipts and disbursements were not always posted to the correct fund based upon the source of the receipt or disbursement type.

We noted the following in 2019:

- Permissive Motor Vehicle License Tax receipts in the amount of \$3,642 were improperly posted to the Permissive Motor Vehicle License Tax - State Fund as Property and Other Local Taxes and should have been posted to Permissive Motor Vehicle License Tax - County Fund as Intergovernmental revenue.
- License tag fees in the amount of \$39,800 were receipted to the Permissive Motor Vehicle License Tax- County Fund, but the corresponding disbursement was improperly posted to the Permissive Motor Vehicle License Tax - State Fund and should have been posted to Permissive Motor Vehicle License Tax- County Fund.

We noted the following in 2018:

- Permissive Motor Vehicle License Tax receipts in the amount of \$2,629 were improperly posted to the Permissive Motor Vehicle License Tax - County Fund as Property and Other Local Taxes and should have been posted to Permissive Motor Vehicle License Tax - State Fund as Property and Other Local Taxes.
- Sewer operating expenses for sludge removal totaling \$11,760 were improperly posted to the Sewer Plant Replacement Fund as Supplies and Materials and should have been posted to the Sewer Operating Fund as Contractual Services.

Audit adjustments, which were agreed by management, are reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response: The Village will work to correct the issue in the future.

FINDING NUMBER 2019-002

Material Weakness

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

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

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

**FINDING NUMBER 2019-002
(Continued)**

Material Weakness (Continued)

All local public offices should 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 Ohio Village Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village did not always properly classify its December 31, 2019 and 2018 governmental fund cash balances in accordance with Governmental Accounting Standards Board (GASB) Statement Number 54 - Fund Balance Reporting and Governmental Fund Type Definitions, effective for fiscal years beginning after June 15, 2010.

Further, Auditor of State (AOS) Bulletin 2000-008 provides guidance for cash basis accounting for on-behalf funding. In short, the Bulletin indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The Village did not always accurately classify receipts and disbursements to the correct account classification.

For the year ended December 31, 2019, the following errors were noted:

- Mayor's Court financial activity was not included on the Financial Statements filed in the Hinkle System, which resulted in adjustments to Ending Cash Balance in the amount of \$956, Other Non-Operating Cash Disbursements totaling \$12,030, Other Non-Operating Cash Receipts totaling \$12,596, and Beginning Cash Balance totaling \$390.
- Permissive Motor Vehicle License revenue levied by the county totaling \$43,713 was improperly classified as Property and Other Local Taxes and should have been classified as Intergovernmental within the Permissive Motor Vehicle - County Fund.
- The General Fund amount appropriated over estimated receipts in the next fiscal year was improperly classified as Unassigned rather than Assigned in the amount of \$269,374.

For the year ended December 31, 2018, the following errors were noted:

- Mayor's Court financial activity was not included on the Financial Statements filed in the Hinkle System, which resulted in adjustments to Ending Cash Balance in the amount of \$390, Other Non-Operating Cash Disbursements totaling \$14,648, Other Non-Operating Cash Receipts totaling \$14,229, and Beginning Cash Balance totaling \$809.
- A General Fund receipt totaling \$53,177 was improperly posted to Miscellaneous and should have been posted to Charges for Services for the coast allocation plan revenue.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2019-002
(Continued)**

Material Weakness (Continued)

- A disbursement for a new police cruiser in the amount of \$33,800 was improperly classified as Security of Persons and Property and should have been posted to Capital Outlay within the General Fund.
- The General Fund amount appropriated over estimated receipts in the next fiscal year was improperly classified as Unassigned rather than Assigned in the amount of \$254,833.
- Disbursements totaling \$39,561 were improperly posted to Supplies and Materials within the Sewer Plant Replacement Fund and should have been posted as Capital Outlay in the amount of \$17,429 and Contractual Services in the amount of \$22,132.
- Disbursements in the Sewer Operating Fund in the amount of \$3,472 and Water Operating Fund in the amount of \$3,308 were improperly posted to Supplies and Materials and should have been posted as Contractual Services.
- Ohio Water Development Authority (OWDA) loan proceeds and corresponding capital outlay payments totaling \$163,760 were not posted to the Village's accounting system and should have been posted as Loan Proceeds and corresponding disbursement from Capital Outlay within the Water Meter Project Fund.

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

The Village did not have procedures in place to accurately post receipts, disbursements, and fund balance in the correct classification to the accounting system.

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

The Fiscal Officer should refer to the Ohio Village Handbook, GASB 54, and AOS Bulletin 2000-08 for proper receipt, expenditure, fund balance classifications, and on-behalf receipts and expenditures, and take additional care in posting transactions to the Village ledgers in order to ensure the Village's year-end financial statements reflect the appropriate sources and uses of the Village's financial resources.

Officials' Response: The Village will work to correct the issue in the future.

FINDING NUMBER 2019-003

Material Weakness

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

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2019-003
(Continued)**

Material Weakness (Continued)

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow Council make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system.

At December 31, 2019, the accounting system included \$25,000 in appropriations in the General Fund and \$5,879 in appropriations in the Street Fund that were not approved by Council. At December 31, 2018, the accounting system included \$104,240 in estimated receipts in the Sewer Debt Service Fund but did not have a Certificate of Estimated Resources to support this posting. Appropriations at December 31, 2018 in the accounting system included \$17,366 in the Permissive Vehicle License Tax- State Fund and \$25,000 in the Sewer Debt Service Fund that were not approved by Council.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the accounting system.

Officials' Response: The Village will work to correct the issue in the future.



MAYOR ROBERT A. NEWHART
VILLAGE OF SHADYSIDE, OHIO

MUNICIPAL BUILDING
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 SHADYSIDE, OHIO 43947

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Noncompliance and Material Weakness with Ohio Rev. Code § 5705.42 & Auditor of State Bulletin 2000-008 On-Behalf Payments	Partially Corrected	This was before I was the Fiscal Officer, I will try to resolve this issue.
2017-002	Material Weakness for approved budgetary amounts not agreeing to the accounting system.	Not Corrected	This was before I was the Fiscal Officer, I will try to resolve this issue.
2017-003	Material Weakness – Financial Reporting	Not Corrected	This was before I was the Fiscal Officer, I will try to resolve this issue.



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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF SHADYSIDE

BELMONT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/25/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov