

Village of Proctorville

Lawrence County, Ohio

Regular Audit

For the Years Ended December 31, 2004 and 2003

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Members of Council
Village of Proctorville
PO Box 406
Proctorville, Ohio 45669

We have reviewed the *Independent Auditors' Report* of the Village of Proctorville, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the AOS permits.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

February 28, 2006

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Village of Proctorville, Ohio
For the Years Ended December 31, 2004 and 2003
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Independent Auditors' Report

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

We have audited the accompanying financial statements of the Village of Proctorville, Lawrence County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village, as of the December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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Village of Proctorville
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The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2005, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.
December 19, 2005

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Local Taxes	\$ 25,501	\$ 6,259	\$ 31,760
Intergovernmental	32,786	37,091	69,877
Licenses, Permits, and Fees	101,453	-	101,453
Other Revenue	25,104	1,021	26,125
	<u>184,844</u>	<u>44,371</u>	<u>229,215</u>
Total Cash Receipts			
	<u>184,844</u>	<u>44,371</u>	<u>229,215</u>
Cash Disbursements:			
Current:			
Security of Persons & Property	136,283	4,181	140,464
Leisure Time Activities	144	-	144
Transportation	-	31,117	31,117
General Government	36,493	-	36,493
Debt Service:			
Principal Payment	17,784	-	17,784
Interest and Fiscal Charges	1,120	-	1,120
	<u>191,824</u>	<u>35,298</u>	<u>227,122</u>
Total Cash Disbursements			
	<u>191,824</u>	<u>35,298</u>	<u>227,122</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(6,980)</u>	<u>9,073</u>	<u>2,093</u>
Fund Cash Balances, January 1	<u>14,450</u>	<u>5,808</u>	<u>20,258</u>
Fund Cash Balances, December 31	<u><u>\$ 7,470</u></u>	<u><u>\$ 14,881</u></u>	<u><u>\$ 22,351</u></u>

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

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 119,171	\$ -	\$ 119,171
Total Operating Cash Receipts	<u>119,171</u>	<u>-</u>	<u>119,171</u>
Operating Cash Disbursements:			
Personal Services	34,059	-	34,059
Supplies and Materials	26,559	-	26,559
Capital Outlay	1,913	-	1,913
Other	2,750	-	2,750
Total Operating Cash Disbursements	<u>65,281</u>	<u>-</u>	<u>65,281</u>
Operating Income/(Loss)	<u>53,890</u>	<u>-</u>	<u>53,890</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	-	109,594	109,594
Total Non-Operating Cash Receipts	<u>-</u>	<u>109,594</u>	<u>109,594</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal	10,000	-	10,000
Interest	17,425	-	17,425
Other Non-Operating Cash Disbursements	-	108,686	108,686
Total Non-Operating Cash Disbursements	<u>27,425</u>	<u>108,686</u>	<u>136,111</u>
Excess of Receipts Over/(Under) Disbursements	26,465	908	27,373
Fund Cash Balances, January 1	<u>26,683</u>	<u>1,940</u>	<u>28,623</u>
Fund Cash Balances, December 31	<u>\$ 53,148</u>	<u>\$ 2,848</u>	<u>\$ 55,996</u>

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

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Local Taxes	\$ 30,749	\$ 6,461	\$ 37,210
Intergovernmental	34,797	25,810	60,607
Licenses, Permits, and Fees	113,819	-	113,819
Earnings on Investments	5	5	10
Other Revenue	26,140	1,090	27,230
Total Cash Receipts	<u>205,510</u>	<u>33,366</u>	<u>238,876</u>
Cash Disbursements:			
Current:			
Security of Persons & Property	130,689	14,229	144,918
Leisure Time Activities	305	-	305
Transportation	-	25,957	25,957
General Government	34,902	-	34,902
Debt Service:			
Principal Payment	20,787	-	20,787
Interest and Fiscal Charges	2,763	-	2,763
Total Cash Disbursements	<u>189,446</u>	<u>40,186</u>	<u>229,632</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>16,064</u>	<u>(6,820)</u>	<u>9,244</u>
Other Financing Uses:			
Other Financing Uses	<u>(53)</u>	<u>-</u>	<u>(53)</u>
Total Other Financing Uses	<u>(53)</u>	<u>-</u>	<u>(53)</u>
Excess of Cash Receipts and Other Financing Uses Over/(Under) Cash Disbursements	16,011	(6,820)	9,191
Fund Cash Balances, January 1	<u>(1,561)</u>	<u>12,628</u>	<u>11,067</u>
Fund Cash Balances, December 31	<u><u>\$ 14,450</u></u>	<u><u>\$ 5,808</u></u>	<u><u>\$ 20,258</u></u>

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

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 108,816	\$ -	\$ 108,816
Total Operating Cash Receipts	<u>108,816</u>	<u>-</u>	<u>108,816</u>
Operating Cash Disbursements:			
Personal Services	37,854	-	37,854
Supplies and Materials	45,789	-	45,789
Capital Outlay	195,500	-	195,500
Other	3,344	-	3,344
Total Operating Cash Disbursements	<u>282,487</u>	<u>-</u>	<u>282,487</u>
Operating Income/(Loss)	<u>(173,671)</u>	<u>-</u>	<u>(173,671)</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	205,500		205,500
Proceeds from Notes and Bonds	266,450		266,450
Other Non-Operating Receipts	-	120,903	120,903
Total Non-Operating Cash Receipts	<u>471,950</u>	<u>120,903</u>	<u>592,853</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal	277,382		277,382
Interest	14,733		14,733
Other Non-Operating Cash Disbursements	-	121,519	121,519
Total Non-Operating Cash Disbursements	<u>292,115</u>	<u>121,519</u>	<u>413,634</u>
Net Receipts Over/(Under) Disbursements	6,164	(616)	5,548
Fund Cash Balances, January 1	<u>20,519</u>	<u>2,556</u>	<u>23,075</u>
Fund Cash Balances, December 31	<u>\$ 26,683</u>	<u>\$ 1,940</u>	<u>\$ 28,623</u>

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Proctorville, Lawrence County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council and a publicly-elected Clerk and Mayor. The Village provides maintenance of roads and police and fire protection, as well as providing water services for the citizens.

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

B. Basis of Accounting

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

C. Cash and Investments

The Village has one demand deposit account and no investments.

D. Fund Accounting

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

1. General Fund – The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Special Revenue Funds – These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Firefighting Fund – This fund receives property tax money to operate a volunteer fire department.

3. Enterprise Fund – This fund accounts for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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

Agency Fund – This fund includes activities of the Village’s Mayor’s Court.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control, and appropriations may not exceed estimated resources. The 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.

2. 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 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 cancelled and reappropriated in the subsequent year.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

Village of Proctorville, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$78,347	\$48,881

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

Fund Type	<u>2004 Budgeted vs. Actual Receipts</u>		Variance
	Budgeted Receipts	Actual Receipts	
General	\$216,914	\$184,844	(\$32,070)
Special Revenue	42,953	44,371	1,418
Enterprise	117,000	119,171	2,171
Total	<u>\$376,867</u>	<u>\$348,386</u>	<u>(\$28,481)</u>

Fund Type	<u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u>		Variance
	Appropriation Authority	Budgetary Expenditures	
General	\$229,400	\$191,824	\$37,576
Special Revenue	48,190	35,298	12,892
Enterprise	140,000	92,706	47,294
Total	<u>\$417,590</u>	<u>\$319,828</u>	<u>\$97,762</u>

Fund Type	<u>2003 Budgeted vs. Actual Receipts</u>		Variance
	Budgeted Receipts	Actual Receipts	
General	\$248,907	\$205,510	(\$43,397)
Special Revenue	43,772	33,366	(10,406)
Enterprise	531,428	314,316	(217,112)
Total	<u>\$824,107</u>	<u>\$553,192</u>	<u>(\$270,915)</u>

Fund Type	<u>2003 Budgeted vs. Actual Budgetary Basis Expenditures</u>		Variance
	Appropriation Authority	Budgetary Expenditures	
General	\$230,441	\$189,499	\$40,942
Special Revenue	52,890	40,186	12,704
Enterprise	537,204	308,152	229,052
Total	<u>\$820,535</u>	<u>\$537,837</u>	<u>\$282,698</u>

Village of Proctorville, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

NOTE 4 – PROPERTY TAX

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

NOTE 5 – DEBT

Debt outstanding as of December 31, 2004 was as follows:

	Principal	Interest Rate
Water Treatment Plant Mortgage Loan	\$252,606	6.15%
General Obligation Note – Truck	2,609	5.75%
	\$255,215	

The Water Treatment Plant Mortgage Loan relates to a water treatment plant expansion project. Principal and interest payments on the above debt are to be \$2,265 per month, with one final payment for the balance of the principal and interest due in the 60th month (May 2003) after completion of the construction. The remaining principal balance may be renewed for subsequent five-year intervals, at the Bank’s option, with the rate adjusted to the previous month’s 5-year Treasury Rate in effect at the time of renewal. In May 2003, the Village renewed a Water Treatment Plant Mortgage Loan for 5 years. The original renewal value of the note was \$266,450 with an interest rate of 6.15%. Monthly payments are now \$2285.41. The Water Loan is collateralized by water and sewer receipts. The Village intends on refinancing the loan at the end of the 60 month period in 2008.

In 2000, the Village obtained a General Obligation Note for the purchase of a pick-up truck. The original value of the note was \$23,078 with an interest rate of 5.75%. Principal and interest payments on the debt are \$444.38 per month, with the final payment due in June of 2005. The Note is collateralized by both the Village’s taxing authority and the pick-up truck.

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

	Water Plant Mortgage Loan	General Obligation Note - Truck
Year ending December 31:		
2005	\$27,425	\$2,666
2006	27,425	-
2007	27,425	-
2008	228,772	-
Total	\$311,047	\$2,666

Village of Proctorville, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

NOTE 6 – RETIREMENT SYSTEM

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plan. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their gross wages. The Village contributed an amount equal to 13.55% of participants' gross wages for 2004 and 2003. As of December 31, 2004, the Village had delinquent employer contributions to OP&F.

NOTE 7 – RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2004 and 2003 generally protect against individual losses exceeding \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies issued between April 1, 2000 and March 1, 2002; and \$125,000 for policies April 1, 2002 or later.

NOTE 7 – RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Property coverage contracts protect against losses, subject to a deductible of \$50,000, limited to an annual aggregate loss of greater of \$300,000 or 1% of total coverage.

The Pool cedes reinsures or excess reinsures. The Pool is contingently liable should any reinsure become unable to meet its obligations under the reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained (deficit) earnings at December 31, 2004 and 2003:

	2004	2003
Assets	<u>\$2,390,150</u>	<u>\$1,811,340</u>
Liabilities	\$3,424,271	\$3,653,152
Retained Deficit	<u>(1,034,121)</u>	<u>(1,841,812)</u>
	<u>\$2,390,150</u>	<u>\$1,811,340</u>

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the accompanying financial statements of the Village of Proctorville, Lawrence County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 19, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2004-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2004-002 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2004-001.

Village Council
Village of Proctorville
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

We also noted certain matters which we reported to management of the Village in a separate letter dated December 19, 2005.

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



Balestra, Harr & Scherer, CPAs, Inc.
December 19, 2005

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Revised Code Section 742.33 provides that each employer shall pay quarterly, on such dates as the board of trustees of the Ohio Police and Fire Pension fund requires, from its general fund, or from a levy imposed pursuant to division (J) or (W) of section 5705.19 of the Revised Code, to the fund an amount known as the "police officer employers' contribution," which shall be nineteen and one-half per cent of the salaries as defined in division (L) of section 742.01 of the Revised Code of the members of the police department of the employer.

Ohio Revised Code Section 742.35 provides that each employer shall pay its annual police officer employers' contribution in four equal installments promptly as provided in section 742.33 of the Revised Code. If an employee fails to make a payment on or before the date that is sixty days after the last day of the calendar quarter, a penalty determined under section 742.352 of the Revised Code shall be assessed against the employer. In addition, interest on past due accounts and penalties may be charged at a rate determined by the board from the date the installment is due to the date of payment.

The Village Clerk did not make the employer's contribution payment to the Ohio Police and Fire Pension Funds (OP&F) for the first quarter of 2003 during the audit period. The Village also had unpaid employer contributions for the following periods:

- 2000 – April, June, October, November, December
- 2001 – April, May, June, July, August September
- 2002 – October, November, December

The Village Clerk should contact OP&F and remit the unpaid balances plus any additional penalties and interest due. Furthermore, the Village Clerk should timely remit all payments to OP&F for both the employee and employer shares.

FINDING NUMBER 2004-002

Material Weakness

Estimated Exceeded Actual Receipts

Estimated receipts exceeded actual receipts at December 31, 2003 in the following funds: General fund by \$47,037; Street Construction Maintenance & Repair Fund by \$4,725; State Highway Fund by \$2,426; Firefighting Fund by \$491; Water Operating Fund by \$215,599 and the Water Deposit Fund by \$2,675. Estimated receipts exceeded actual receipts at December 31, 2004 in the following funds: General Fund by \$32,511; Firefighting Fund by \$2,643; and the Water Deposit Fund by \$1,475. Lack of monitoring of the financial activity by the Village Clerk and the Village Council resulted in an over appropriation of funds; however, this did not result in overspending. However, a reduced amended certificate of estimated resources should have been obtained.

The Village Clerk should obtain a reduced amended certificate when it is apparent that estimated receipts will exceed actual receipts. Furthermore, estimated receipts should be monitored more closely by the Village Clerk and Village Council in order to make necessary adjustments to reflect changes in actual receipts.

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	The Village did not maintain adequate funds necessary to cover the required debt.	Yes	Corrected
2002-002	Ohio Rev. Code Section 742.33 - Paying the employeer share of OP&F	No	Reissued 2004-001
2002-003	Ohio Rev. Code Section 5705.41.(B) - Expenditures exceed appropriations	Yes	Corrected
2002-004	Oho Rev. Code Section 5705.41 (D) - Certificaton of funds	Yes	Corrected
2002-005	The Village did not have adequate segregation of duties.	Yes	Corrected
2002-006	The Village's Annual Report did not agree to the Village's accounting records	Yes	Corrected
2002-007	The Village did not have adequate supporting documentation for their disbursements.	Yes	Corrected
2002-008	Bank reconciliations were not correctly reconciled to the cashbook balances.	No	Reissued in Management Letter
2002-009	Estimated receipts exceed actual receipts.	No	Reissued 2004-002



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VILLAGE OF PROCTORVILLE

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 14, 2006**