



Dave Yost • Auditor of State



VILLAGE OF SHADYSIDE  
BELMONT COUNTY

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# Dave Yost • Auditor of State

Village of Shadyside  
Belmont County  
50 East 39<sup>th</sup> Street  
Shadyside, Ohio 43947

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Dave Yost**  
Auditor of State

May 3, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Shadyside  
Belmont County  
50 East 39<sup>th</sup> Street  
Shadyside, Ohio 43947

To the Village Council:

We have audited the accompanying financial statements of the Village of Shadyside, Belmont County, Ohio (the Village), as of and for the year ended December 31, 2010. 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 reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Village's larger (i.e., major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2010 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, 2010, or its changes in financial position or cash flows, where applicable 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 of Shadyside, Belmont County, as of December 31, 2010, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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 May 3, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

**Dave Yost**  
Auditor of State

May 3, 2011



**VILLAGE OF SHADYSDE  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$347,648	\$146,587	\$0	\$0	\$494,235
Intergovernmental	231,016	260,428			491,444
Charges for Services	64,417	112,285			176,702
Fines, Licenses and Permits	26,249				26,249
Earnings on Investments	835	349			1,184
Miscellaneous	31,693	58,476			90,169
<b>Total Cash Receipts</b>	<u>701,858</u>	<u>578,125</u>	<u>0</u>	<u>0</u>	<u>1,279,983</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	283,950	312,160			596,110
Public Health Services	14,364				14,364
Leisure Time Activities	2,364				2,364
Transportation	56,247	170,841			227,088
General Government	201,511				201,511
Debt Service:					
Redemption of Principal	6,275	47,977			54,252
Interest and Fiscal Charges	1,893	8,565			10,458
Capital Outlay		107,834			107,834
<b>Total Cash Disbursements</b>	<u>566,604</u>	<u>647,377</u>	<u>0</u>	<u>0</u>	<u>1,213,981</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>135,254</u>	<u>(69,252)</u>	<u>0</u>	<u>0</u>	<u>66,002</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-In		1,600			1,600
Transfers-Out	(1,600)				(1,600)
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>(1,600)</u>	<u>1,600</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>133,654</u>	<u>(67,652)</u>	<u>0</u>	<u>0</u>	<u>66,002</u>
<b>Fund Cash Balances, January 1</b>	<u>232,502</u>	<u>811,544</u>	<u>4,511</u>	<u>33,375</u>	<u>1,081,932</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$366,156</b></u>	<u><b>\$743,892</b></u>	<u><b>\$4,511</b></u>	<u><b>\$33,375</b></u>	<u><b>\$1,147,934</b></u>

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

**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$830,868		\$830,868
Fines, Licenses and Permits		\$14,131	14,131
Miscellaneous	51,128		51,128
Total Operating Cash Receipts	<u>881,996</u>	<u>14,131</u>	<u>896,127</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	175,559		175,559
Employee Fringe Benefits	93,236		93,236
Contractual Services	525,531		525,531
Supplies and Materials	57,488		57,488
Other	34,700	14,518	49,218
Total Operating Cash Disbursements	<u>886,514</u>	<u>14,518</u>	<u>901,032</u>
Operating Loss	<u>(4,518)</u>	<u>(387)</u>	<u>(4,905)</u>
<b>Non-Operating Cash Receipts:</b>			
Property and Other Local Taxes	2,268		2,268
Other Debt Proceeds	581,624		581,624
Miscellaneous Receipts	10,635		10,635
Total Non-Operating Cash Receipts	<u>594,527</u>	<u>0</u>	<u>594,527</u>
<b>Non-Operating Cash Disbursements:</b>			
Redemption of Principal	340,486		340,486
Interest and Other Fiscal Charges	29,959		29,959
Total Non-Operating Cash Disbursements	<u>370,445</u>	<u>0</u>	<u>370,445</u>
Net Receipts Over/(Under) Disbursements	219,564	(387)	219,177
Fund Cash Balances, January 1 (Restated - Note 2)	<u>1,313,428</u>	<u>908</u>	<u>1,314,336</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$1,532,992</u></b>	<b><u>\$521</u></b>	<b><u>\$1,533,513</u></b>

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

**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

The Village is involved with the Bel-O-Mar Regional Council and the Eastern Ohio Regional Transit Authority, which are defined as jointly governed organizations. Note 10 to the financial statements provide additional information for these entities.

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

**B. Accounting Basis**

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

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

**C. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

Fire Department Emergency Medical Services (EMS) Fund – This fund receives charges for services from residents to provide emergency medical services.

**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Fund Accounting (Continued)**

**3. Debt Service Funds**

These funds account for resources the Village accumulates to pay bond and note debt. There was no activity in the debt service funds for the period January 1, 2010 through December 31, 2010.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). There was no activity in the capital project funds for the period January 1, 2010 through December 31, 2010.

**5. Enterprise Funds**

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

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

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

**6. 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 Mayor's Court.

**D. Budgetary Process**

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

**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Process (Continued)**

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 budgetary activity appears in Note 4.

**E. Property, Plant, and Equipment**

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

**F. Accumulated Leave**

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

**2. Restatement of Fund Balance**

Fund balance was restated by the Village to reflect the activity of the Mayor's Court as an Agency Fund on the financial statements as of December 31, 2010. This activity was not previously reported on the financial statements by the Village. Reflecting the Mayor's Court activity had the following effect on fund balance at January 1, 2010:

Fund Type	Fund Balance at 12/31/09	Mayor's Court Activity	Restated Fund Balance at 1/1/10
Agency	\$0	\$908	\$908

**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

**3. Equity in Pooled Deposits**

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

	2010
Demand deposits	\$2,680,926

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

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010, follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$618,006	\$701,858	\$83,852
Special Revenue	540,870	579,725	38,855
Enterprise	886,301	1,476,523	590,222
Total	\$2,045,177	\$2,758,106	\$712,929

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$739,789	\$568,204	\$171,585
Special Revenue	1,311,170	647,377	663,793
Debt Service	4,511		4,511
Capital Projects	33,375		33,375
Enterprise	1,808,300	1,256,959	551,341
Total	\$3,897,145	\$2,472,540	\$1,424,605

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer Wastewater System Design Loan fund by \$465,443 for the year ended December 31, 2010.

**5. Property Tax**

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

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

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

**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

**5. Property Tax (Continued)**

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

**6. Debt**

Debt outstanding at December 31, 2010, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Equipment Lease-Purchase Agreements	\$186,781	3.65 - 6.66%
Ohio Public Works Commission Loan	119,926	0.02%
Ohio Water Development Authority Loan	<u>147,406</u>	6.87%
Total	<u><u>\$454,113</u></u>	

The equipment lease-purchase agreements relate to the financing of rescue vehicles for use by the Village Emergency Medical Squad, and trucks for use by the Village Water Department. The leases are payable in annual installments at annual percentage rates of 3.65% to 6.66%, with final payment due February 24, 2013. The leases are supported by the full faith and credit of the Village and are payable from emergency medical fees or secured by water utility receipts.

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

The Ohio Water Development Authority (OWDA) loan relates to water tank improvements payable in semi-annual installments at an annual percentage rate of 6.87%, with final payment due July 15, 2015. The loan is secured by water utility receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Year ending December 31:	<u>Leases</u>	<u>OPWC Loans</u>	<u>OWDA Loan</u>	<u>Grand Total</u>
2011	\$72,885	\$10,891	\$39,246	\$123,022
2012	64,689	10,891	39,246	114,826
2013	64,689	10,891	39,246	114,826
2014		10,891	39,246	50,137
2015		10,891	19,623	30,514
2016-2020		54,455		54,455
2021-2025		<u>27,227</u>		<u>27,227</u>
Total	<u><u>\$202,263</u></u>	<u><u>\$136,137</u></u>	<u><u>\$176,607</u></u>	<u><u>\$515,007</u></u>

The Village also has been approved for an Ohio Public Works Commission (OPWC) loan in the total amount of \$499,000 relating to improvements to the water system. As of December 31, 2010, none of these proceeds had been received by the Village. The final amount of the loan is subject to change based on the close-out of the project and the actual amounts utilized by the Village. The loan will be collateralized by water receipts.

**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

**6. Debt (Continued)**

During 2008 and again in 2010, the Ohio Water Development Authority (OWDA) approved up to \$2,746,676 in loans to the Village for various projects, including water tank improvements, wastewater system design, water system design, and reservoir embankment repairs. The Village will repay the loans in semiannual installments at an annual percentage rate from 1.00% - 5.18%, with final payment due July 1, 2039. As of December 31, 2010, \$1,161,301 is the total amount drawn down on these loans.

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

**7. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 10% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. 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, 2010.

**8. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

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

**9. 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.



**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

**10. Jointly Governed Organizations**

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

**11. Subsequent Events**

During 2008, the Village was awarded an Ohio Department of Transportation (ODOT) grant to aid in a median strip and streetscape project estimated at \$1,441,206. Of this amount, \$1,081,764 is the federally funded portion and \$359,442 is the Village's required local match. This project is tentatively scheduled to begin during 2011. As of December 31, 2010, the Village has paid, as a part of their local match, a total of \$96,134 for architectural and engineering services related to this project.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 39<sup>th</sup> Street  
Shadyside, Ohio 43947

To the Village Council:

We have audited the financial statements of the Village of Shadyside, Belmont County, Ohio (the Village), as of and for the year ended December 31, 2010, and have issued our report thereon dated May 3, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-003 described in the accompanying Schedule of Findings to be a material weakness.

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157  
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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. We consider finding 2010-004 described in the accompanying Schedule of Findings to be a significant deficiency.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2010-001 through 2010-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 3, 2011.

We intend this report solely for the information and use of management, the audit committee, Village Council, and others within the Village. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

May 3, 2011

VILLAGE OF SHADYSIDE  
BELMONT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2010

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

FINDING NUMBER 2010-001

**Noncompliance Citation**

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

As of December 31, 2010, the following fund reflected expenditures which exceeded appropriations:

Fund Type / Fund	Appropriations	Expenditures	Variance
<b>Enterprise Fund</b>			
Sewer Wastewater System Design Loan	\$105,021	\$570,464	(\$465,443)

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

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

FINDING NUMBER 2010-002

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code:

1. **"Then and Now" Certificate** – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

VILLAGE OF SHADYSIDE  
BELMONT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2010  
(Continued)

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

FINDING NUMBER 2010-002 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

2. **Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Although the obligations paid by the Village had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of an appropriate fund, and free from any previous encumbrance, this certification of available funds was not obtained prior to incurring the obligation for 66% of transactions tested, and there was no evidence of a "Then and Now" certificate being utilized.

Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Village incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2010-003

Noncompliance and Material Weakness

The Auditor of State provided, through Auditor of State Bulletins 2000-008 and 2002-004, the recommended accounting treatment for on-behalf of grants and loans including Ohio Water Development Authority (OWDA) funding, which includes the administration of grants and loans awarded by the Ohio Environmental Protection Agency (OEPA).

**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010  
(Continued)**

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

**FINDING NUMBER 2010-003 (Continued)**

**Noncompliance and Material Weakness (Continued)**

During 2010, the Village did not record OWDA/OEPA funding transactions on their accounting records or financial statements in the amount of \$186,502 for on-behalf of payments paid directly to the project contractor and \$278,941 for loan retirement and reissuance, respectively. The Fiscal Officer did not record the receipt or subsequent expenditure of these monies on the accounting records or financial statements, nor did the Fiscal Officer amend estimated revenues or appropriations for the OWDA/OEPA monies received in 2010. Ohio Rev. Code Section 5705.42 indicates that Federal and state grants or loans are “deemed appropriated for such purpose by the taxing authority” as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection. “Deemed an appropriation” under this section means the Federal or State government has already appropriated and established the purpose(s) for which a government can spend monies received from Federal or State grants and loans. The taxing authority cannot deviate from this purpose; the taxing authority can only resolve to spend the money for a purpose already prescribed in a contract, grant agreement, loan agreement, etc. therefore, Federal and State grants and loans received under Ohio Rev. Code Section 5705.42 do not require formal appropriation by the legislative body. In other words, Ohio Rev. Code Section 5705.42 effectively eliminates an unnecessary appropriation action by the taxing authority. However, Ohio Rev. Code Section 5705.42 directs the fiscal officer to record the appropriation amount in the accounting system. The fiscal officer should also include the appropriated amounts on the (amended) certificate to properly monitor budget versus actual activity.

The Village adjusted the accompanying financial statements to reflect the OWDA/OEPA activity noted within the preceding paragraph.

We recommend the Village refer to Auditor of State Bulletins 2000-008 and 2002-004 and follow the recommended accounting treatment for all OWDA/OEPA funding expended directly to contractors on behalf of the Village, as well as proceeds of OWDA/OEPA loans. We further recommend the Village follow the budgetary scheme of Chapter 5705 of the Revised Code and monitor appropriations, amending them as appropriate to record these funds.

**FINDING NUMBER 2010-004**

**Significant Deficiency**

The Village should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

The Village Fiscal Officer did not always accurately post budgeted receipts, and any amendments made to them, to the accounting system. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system. The following table details these variances:

**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010  
(Continued)**

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

**FINDING NUMBER 2010-004 (Continued)**

**Significant Deficiency (Continued)**

<u>Fund</u>	<u>Amount Per Last Amended Certificate</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
General	\$618,006	\$496,223	(\$121,783)
Police Pension	11,900	11,600	(300)
Police Levy	89,963	76,600	(13,363)
Water System Design Loan	11,160	0	(11,160)
Sewer Wastewater System Design Loan	105,021	0	(105,021)

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

<u>Fund</u>	<u>Amount Per Annual Appropriation Resolution</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
General	\$739,789	\$618,006	(\$121,783)
Police Levy	114,106	119,069	4,963

Because the information entered into the accounting system was not always accurate, adjustments were made to the budgetary activity reported in Note 4 to the financial statements in order to accurately present appropriations approved by the Village Council and only include budgeted receipts as certified by the County Auditor.

We recommend the Village Council approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Village Fiscal Officer should post these amendments only after obtaining the required approvals. We also recommend the Village Fiscal Officer record only estimated receipts from the Certificate of Estimated Resources and any amendments thereto.

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



**VILLAGE OF SHADYSIDE  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Ohio Rev. Code Section 5705.41(D)(1) for no prior certification of availability of funds prior to making an expenditure.	No	Not Corrected; Repeated as Finding No. 2010-002.
2009-002	Significant deficiency for incorrect posting of the budgeted receipts and appropriations into the accounting system.	No	Not Corrected; Repeated as Finding No. 2010-004.

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# Dave Yost • Auditor of State

**VILLAGE OF SHADYSIDE**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 14, 2011**