



Dave Yost • Auditor of State

VILLAGE OF BEALLSVILLE
MONROE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2013	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2012	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Beallsville
Monroe County
43057 Ohio Avenue
Beallsville, Ohio 43716

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Beallsville, Monroe County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Beallsville, Monroe County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

July 30, 2014

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$14,718		\$14,718
Intergovernmental	11,861	\$16,778	28,639
Fines, Licenses and Permits	75		75
Earnings on Investments	275	15	290
Miscellaneous	2,102		2,102
<i>Total Cash Receipts</i>	<u>29,031</u>	<u>16,793</u>	<u>45,824</u>
Cash Disbursements			
Current:			
Security of Persons and Property	4,663		4,663
Public Health Services	3,103		3,103
Basic Utility Services	100		100
Transportation	696	9,041	9,737
General Government	25,983		25,983
Debt Service:			
Principal Retirement		7,612	7,612
Interest and Fiscal Charges		1,317	1,317
<i>Total Cash Disbursements</i>	<u>34,545</u>	<u>17,970</u>	<u>52,515</u>
<i>Excess of Cash Receipts (Under) Cash Disbursements</i>	<u>(5,514)</u>	<u>(1,177)</u>	<u>(6,691)</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	183		183
Other Financing Uses	(209)		(209)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(26)</u>	<u>0</u>	<u>(26)</u>
<i>Net Change in Fund Cash Balances</i>	(5,540)	(1,177)	(6,717)
<i>Fund Cash Balances, January 1</i>	<u>37,418</u>	<u>23,279</u>	<u>60,697</u>
Fund Cash Balances, December 31			
Restricted		20,555	20,555
Assigned	874	1,547	2,421
Unassigned (Deficit)	31,004		31,004
<i>Fund Cash Balances, December 31</i>	<u>\$31,878</u>	<u>\$22,102</u>	<u>\$53,980</u>

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

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$91,243
<i>Total Operating Cash Receipts</i>	91,243
Operating Cash Disbursements	
Personal Services	22,502
Employee Fringe Benefits	2,923
Contractual Services	32,775
<i>Total Operating Cash Disbursements</i>	58,200
<i>Operating Income</i>	33,043
Non-Operating (Disbursements)	
Principal Retirement	(20,071)
Interest and Other Fiscal Charges	(596)
Other Financing Uses	(546)
<i>Total Non-Operating (Disbursements)</i>	(21,213)
<i>Net Change in Fund Cash Balances</i>	11,830
<i>Fund Cash Balances, January 1</i>	45,656
<i>Fund Cash Balances, December 31</i>	\$57,486

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

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$14,429		\$14,429
Intergovernmental	12,732	\$18,105	30,837
Earnings on Investments	103	18	121
Miscellaneous	1,010		1,010
<i>Total Cash Receipts</i>	<u>28,274</u>	<u>18,123</u>	<u>46,397</u>
Cash Disbursements			
Current:			
Security of Persons and Property	5,890		5,890
Public Health Services	2,825		2,825
Leisure Time Activities	654		654
Basic Utility Services	192		192
Transportation		10,276	10,276
General Government	33,201	100	33,301
Debt Service:			
Principal Retirement		6,202	6,202
Interest and Fiscal Charges		1,198	1,198
<i>Total Cash Disbursements</i>	<u>42,762</u>	<u>17,776</u>	<u>60,538</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(14,488)</u>	<u>347</u>	<u>(14,141)</u>
Other Financing Receipts			
Other Financing Sources	3,054		3,054
<i>Total Other Financing Receipts</i>	<u>3,054</u>	<u>0</u>	<u>3,054</u>
<i>Net Change in Fund Cash Balances</i>	(11,434)	347	(11,087)
<i>Fund Cash Balances, January 1</i>	<u>48,852</u>	<u>22,932</u>	<u>71,784</u>
Fund Cash Balances, December 31			
Restricted		23,279	23,279
Unassigned (Deficit)	37,418		37,418
<i>Fund Cash Balances, December 31</i>	<u>\$37,418</u>	<u>\$23,279</u>	<u>\$60,697</u>

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

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$93,219
<i>Total Operating Cash Receipts</i>	93,219
Operating Cash Disbursements	
Personal Services	23,958
Employee Fringe Benefits	3,987
Contractual Services	43,109
<i>Total Operating Cash Disbursements</i>	71,054
<i>Operating Income</i>	22,165
Non-Operating (Disbursements)	
Principal Retirement	(19,636)
Interest and Other Fiscal Charges	(1,017)
<i>Total Non-Operating (Disbursements)</i>	(20,653)
<i>Net Change in Fund Cash Balances</i>	1,512
<i>Fund Cash Balances, January 1</i>	44,144
<i>Fund Cash Balances, December 31</i>	\$45,656

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

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Beallsville, Monroe County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities services. The Village contracts with the Monroe County Sheriff's department to provide security of persons and property. The Village contracts with Beallsville Volunteer Fire Department to provide fire protection.

The Village 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.

B. Accounting Basis

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

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for and report 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 - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

3. 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 Fund:

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

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

E. Fund Balance

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

1. Nonspendable

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

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

F. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. Equity in Pooled Deposits (Continued)

	2013	2012
Demand deposits	\$111,466	\$106,353

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012, follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,981	\$29,214	(\$12,767)
Special Revenue	20,500	16,793	(3,707)
Enterprise	101,150	91,243	(9,907)
Total	\$163,631	\$137,250	(\$26,381)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$35,628	(\$35,628)
Special Revenue	0	19,517	(19,517)
Enterprise	0	79,821	(79,821)
Total	\$0	\$134,966	(\$134,966)

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,354	\$31,328	(\$9,026)
Special Revenue	20,783	18,123	(2,660)
Enterprise	93,700	93,219	(481)
Total	\$154,837	\$142,670	(\$12,167)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$42,762	(\$42,762)
Special Revenue	0	17,776	(17,776)
Enterprise	0	91,707	(91,707)
Total	\$0	\$152,245	(\$152,245)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds by a total of \$134,966 for the year ended December 31, 2013 and by \$152,245 for the year ended December 31, 2012. This is due to Village Council not passing a permanent appropriation measure for 2013 or 2012 contrary to Ohio Rev. Code § 5705.38(A).

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. Property Tax

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

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

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

5. Debt

Debt outstanding at December 31, 2013, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$10,201	2.20%
Commercial Promissory Note	18,464	5.00%
Total	\$28,665	

The Ohio Water Development Authority (OWDA) loan relates to upgrades necessary to comply with Environmental Protection Agency regulations. The loan will be repaid in semiannual installments of \$10,313, including interest, over 20 years. The loan is collateralized by sewer receipts. The Village has agreed to set rates at a sufficient level to repay the Ohio Water Development Authority.

The Promissory Note relates to the financing of a dump truck for use by the Village. The notes are payable in monthly installments at annual percentage rates of 5.00%, with final payment due November 8, 2016. The notes are collateralized by the various vehicles or supported by the full faith and credit of the Village.

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

Year ending December 31:	OWDA Loan	Promissory Note
2014	\$10,313	\$6,378
2015		7,653
2016		5,683
Total	\$10,313	\$19,714

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013:

	<u>2012</u>	<u>2013</u>
Assets	\$34,389,569	\$34,411,883
Liabilities	<u>(14,208,353)</u>	<u>(12,760,194)</u>
Net Position	<u>\$20,181,216</u>	<u>\$21,651,689</u>

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in future years is approximately \$5,000.

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (Continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2013</u>
\$5,521	\$6,648

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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Dave Yost • Auditor of State

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

Village of Beallsville
Monroe County
43057 Ohio Avenue
Beallsville, Ohio 43716

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Beallsville, Monroe County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated July 30, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2013-004 and 2013-005 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-006 and 2013-007 described in the accompanying Schedule of Findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-004.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

July 30, 2014

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code § 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 §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code:

Then and Now Certificate – If the fiscal officer can certify that both at the time 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty 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 of the taxing authority 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 taxing authority.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current 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.

Super Blanket Certificate – The taxing authority 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 33.3% of transactions tested.

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-001 (Continued)

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

Failure to properly certify the availability of funds can result in overspending 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. When "then and now" certificates are used and are greater than \$3,000, the Fiscal Officer needs to present the certificate to Village Council for approval.

We recommend the Village certify purchases to which Ohio Rev. Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that includes the certification language Ohio Rev. Code § 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 Ohio Rev. Code § 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 2013-002

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been appropriated.

The Village did not pass permanent appropriations for 2013 and 2012. Therefore, total expenditures for all funds exceeded appropriations by \$134,966 at December 31, 2013 and \$152,245 at December 31, 2012.

We recommend Village Council and the Fiscal Officer not make any expenditures until appropriations are adopted. Once appropriations are adopted, Village Council and the Fiscal Officer should 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 2013-003

Noncompliance

Ohio Rev. Code § 5705.38(A) states on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate.

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-003 (Continued)

Noncompliance - Ohio Rev. Code § 5705.38(A) (Continued)

If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

Ohio Rev. Code § 5705.38(C) states, in part, appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

The Village Council passed temporary appropriations for 2013 and 2012 as one lump sum but failed to pass permanent appropriations for both years. Therefore, no appropriation resolution was filed with the County Auditor's Office.

Also, during 2013 and 2012, there were supplemental appropriations made with no indication of Village Council approval.

We recommend the Village Council pass the appropriation resolutions on or about the first day of each year and document such approval in the minute record. The Fiscal Officer should then file the approved appropriation resolutions with the Monroe County Auditor's Office. Otherwise, the Village should not expend any money until appropriations are passed. Alternately, the Village may pass a temporary appropriation measure to cover expenditures until the permanent appropriations are passed prior to April 1st of each year. We also recommend the Village Council pass the appropriation resolution at the legal level of control as required by law and that supplemental appropriations be approved by Village Council and follow all provisions of law governing the Village in making its original appropriations.

FINDING NUMBER 2013-004

Noncompliance and Material Weakness

Ohio Rev. Code § 9.38 states a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited.

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-004 (Continued)

Noncompliance and Material Weakness - Ohio Rev. Code § 9.38 (Continued)

The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

47% of utility receipts tested were not deposited timely. When comparing the date utility receipts were actually received to the date deposited revealed these receipts were not deposited until 4 to as many as 13 business days following their receipt.

To help prevent cash flow problems and the risk of receipts becoming lost, we recommend that receipts be deposited with the bank in a more timely manner, such as on the business day following the date of receipt or within a reasonable period of time thereafter.

FINDING NUMBER 2013-005

Material Weakness

The Fiscal Officer has not been able to reconcile the bank account since January 1, 2012. The reconciling amounts varied each month anywhere from \$446 to \$3,018. There was also no documentation of the governing board review of the bank reconciliations. Also, the bank reconciliation prepared as of December 31, 2013 included an unexplained reconciling item of \$1,322, which resulted in fund balances exceeding actual available cash by this amount. The Fiscal Officer was unable to verify what this amount represented; however, we were able to determine the reconciling item at December 31, 2013.

The adjustments to reconcile the bank account were agreed to by Village officials' and are reflected within the accompanying financial statements and posted to the accounting records.

Reconciling cash is a critical control in assuring all transactions are posted accurately and timely, and in the proper accounting period. Unidentified differences result in inaccurate fund cash balance information, and conceivably could cause deficit spending. The Village's small size requires governing board involvement with critical accounting processes (such as bank reconciliations) to compensate for the inability to segregate these duties. The absence of these reviews may be a material weakness in internal accounting control, resulting in inaccurate cash balances, or even undetected theft.

We recommend the Fiscal Officer prepare monthly bank reconciliations. Sufficient explanation and/or supporting documentation should be provided and retained for all reconciling items, such as outstanding checks, deposits-in-transit, and "Other Adjusting Factors" that may appear on the reconciliation. The Fiscal Officer should present monthly bank reconciliations to Village Council for their review and approval at their monthly meetings.

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-006

Significant Deficiency

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

The Village Officer's Handbook (revised March 2014) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village did not always record receipts and disbursements into accurate fund and or classification, or record all such transactions, based upon the source of the receipt or the nature of the disbursement.

The following errors were made in 2013:

- Principal debt payments in the amount of \$7,183 were posted to Interest and Fiscal Charges instead of Principal Retirement within the Street Construction Maintenance and Repair Fund.
- Principal debt payment in the amount of \$429 was posted to the Sewer Operating Fund instead of the Street Construction Maintenance and Repair Fund.
- Ohio Water Development Authority (OWDA) principal payments in the amount of \$20,071 were posted to Interest and Other Fiscal Charges instead of Principal Retirement within the Sewer Operating Fund.
- Outstanding encumbrance at year-end in the amount of \$874 in the General Fund was classified as unassigned fund balance instead of assigned fund balance.
- Outstanding encumbrance at year-end in the amount of \$1,546 in the Street Construction Maintenance and Repair Fund was classified as restricted fund balance instead of assigned fund balance.

The following errors were made in 2012:

- Principal debt payments in the amount of \$6,202 were posted to Interest and Fiscal Charges instead of Principal Retirement within the Street Construction Maintenance and Repaid Fund.
- Principal debt payment in the amount of \$253 was posted to General Government instead of Principal Retirement within the General Fund.
- Ohio Water Development Authority (OWDA) principal payments in the amount of \$19,636 were posted to Interest and Other Fiscal Charges instead of Principal Retirement within the Sewer Operating Fund.

The adjustments with which the Village officials' agree are reflected within the accompanying financial statements and posted to the accounting records.

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-006 (Continued)

Significant Deficiency (Continued)

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

FINDING NUMBER 2013-007

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.

In 2013, the Fiscal Officer did not accurately post budgeted receipts, and any amendments made to them, to the accounting system. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system. The following table details these variances:

<u>Fund</u>	<u>Amount Per Last Amended Certificate</u>	<u>Amount Posted to Accounting System</u>	<u>Variance</u>
General	\$41,981	\$42,704	(\$723)
Street Construction			
Maintenance and Repair	18,500	19,726	(1,226)
State Highway	2,000	2,100	(100)
Sewer Operating	101,150	111,147	(9,997)

Because the information entered into the accounting system was inaccurate, Village management was unable to effectively monitor budgetary activity throughout the year. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted receipts as certified by the County Budget Commission.

We recommend the Fiscal Officer record only estimated receipts from the Certificate of Estimated Resources and any amendments thereto to the accounting system.

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



Dave Yost • Auditor of State

VILLAGE OF BEALLSVILLE

MONROE 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
AUGUST 19, 2014**