

Village of Proctorville
Lawrence County, Ohio

Regular Audit

For the years ended December 31, 2010 and 2009
Fiscal Years Audited Under GAGAS: 2010 and 2009



Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639
9076 Ohio River Road, Wheelersburg, Ohio 45694 Phone: 740.876.9121 Fax: 800.210.2573
307 Park Avenue, Ironton, Ohio 45638 Phone 740.532.1005 Fax 800.210.2573



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Proctorville, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 23, 2011

This Page is Intentionally Left Blank.

Village of Proctorville
Lawrence County, Ohio
For the Years Ended December 31, 2010 and 2009
Table of Contents

Title	Page
Independent Auditor's Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2010	3
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	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2009	5
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, 2009	6
Notes to the Financial Statements	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	14
Schedule of Findings.....	16
Schedule of Prior Audit Findings.....	17

This Page is Intentionally Left Blank.



Independent Auditor's Report

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

We have audited the accompanying financial statements of Village of Proctorville, Lawrence County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009. 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. 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 and 2009 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 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Village Council
Village of Proctorville
Lawrence County
Independent Auditors' Report

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Proctorville, Lawrence County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years 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 13, 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.



Balestra, Harr & Scherer, CPAs, Inc.

May 13, 2011

Village of Proctorville, Lawrence County
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2010

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 27,815	\$ 6,687	\$ 34,502
Intergovernmental	29,548	36,026	65,574
Fines, Licenses, and Permits	102,116	1,104	103,220
Earnings on Investments	689	158	847
Miscellaneous	19,648	457	20,105
	<u>179,816</u>	<u>44,432</u>	<u>224,248</u>
Cash Disbursements:			
Current:			
Security of Persons & Property	130,419	10,499	140,918
Transportation	-	35,356	35,356
General Government	57,017	-	57,017
	<u>187,436</u>	<u>45,855</u>	<u>233,291</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(7,620)	(1,423)	(9,043)
Other Financing Receipts and (Disbursements):			
Other Uses	(1,071)	-	(1,071)
	<u>(1,071)</u>	<u>-</u>	<u>(1,071)</u>
Total Other Financing Receipts/(Disbursements)	(1,071)	-	(1,071)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(8,691)	(1,423)	(10,114)
Fund Cash Balances, January 1	81,125	17,440	98,565
Fund Cash Balances, December 31	<u>\$ 72,434</u>	<u>\$ 16,017</u>	<u>\$ 88,451</u>

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

Village of Proctorville, Lawrence County
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2010

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 113,493	\$ -	\$ 113,493
Earnings on Investments	588	-	588
Total Operating Cash Receipts	<u>114,081</u>	<u>-</u>	<u>114,081</u>
Operating cash disbursements			
Personal services	55,431	-	55,431
Supplies and Materials	30,375	-	30,375
Other	6,262	-	6,262
Total Operating Cash Disbursements	<u>92,068</u>	<u>-</u>	<u>92,068</u>
Operating Income	22,013	-	22,013
Non-Operating Cash Receipts/Disbursements			
Other Non-operating Receipts		112,224	112,224
Capital Outlay	(5,690)	-	(5,690)
Redemption of Principal	(15,874)	-	(15,874)
Interest and Fiscal Charges	(11,293)	-	(11,293)
Other Non-operating Disbursements		(114,827)	(114,827)
Total Non-Operating Receipts/Disbursements	<u>(32,857)</u>	<u>(2,603)</u>	<u>(35,460)</u>
Net Receipts Over/(Under) Disbursements	(10,844)	(2,603)	(13,447)
Fund Cash Balances, January 1	54,432	3,604	58,036
Fund Cash Balances, December 31	<u>\$ 43,588</u>	<u>\$ 1,001</u>	<u>\$ 44,589</u>

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

Village of Proctorville, Lawrence County
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2009

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 26,731	\$ 6,490	\$ 33,221
Intergovernmental	30,703	33,405	64,108
Rent Revenue	21,600	-	21,600
Fines, Licenses, and Permits	118,501	1,193	119,694
Miscellaneous	5,901	-	5,901
	<u>203,436</u>	<u>41,088</u>	<u>244,524</u>
Total Cash Receipts			
	<u>203,436</u>	<u>41,088</u>	<u>244,524</u>
Cash Disbursements:			
Current:			
Security of Persons & Property	121,679	8,396	130,075
Leisure Time Activities	2,492	-	2,492
Transportation	-	38,069	38,069
General Government	67,315	-	67,315
	<u>191,486</u>	<u>46,465</u>	<u>237,951</u>
Total Cash Disbursements			
	<u>191,486</u>	<u>46,465</u>	<u>237,951</u>
Total Cash Receipts Over/(Under) Cash Disbursements	11,950	(5,377)	6,573
Other Financing Receipts and (Disbursements):			
Other Uses	(966)	-	(966)
	<u>(966)</u>	<u>-</u>	<u>(966)</u>
Total Other Financing (Disbursements)			
	<u>(966)</u>	<u>-</u>	<u>(966)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	10,984	(5,377)	5,607
Fund Cash Balances, January 1	<u>70,141</u>	<u>22,817</u>	<u>92,958</u>
Fund Cash Balances, December 31	<u><u>\$ 81,125</u></u>	<u><u>\$ 17,440</u></u>	<u><u>\$ 98,565</u></u>

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

Village of Proctorville, Lawrence County
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2009

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 119,991	\$ -	\$ 119,991
Total Operating Cash Receipts	<u>119,991</u>	<u>-</u>	<u>119,991</u>
Operating cash disbursements			
Personal services	50,734	-	50,734
Supplies and Materials	40,480	-	40,480
Other	<u>2,243</u>	<u>-</u>	<u>2,243</u>
Total Operating Cash Disbursements	<u>93,457</u>	<u>-</u>	<u>93,457</u>
Operating Income	26,534	-	26,534
Non-Operating Cash Receipts/Disbursements			
Other Non-operating Receipts	-	135,908	135,908
Capital Outlay	(6,000)	-	(6,000)
Redemption of Principal	(14,854)	-	(14,854)
Interest and Fiscal Charges	(12,313)	-	(12,313)
Other Non-operating Disbursements	<u>-</u>	<u>(134,912)</u>	<u>(134,912)</u>
Total Non-Operating Receipts/(Disbursements)	<u>(33,167)</u>	<u>996</u>	<u>(32,171)</u>
Net Receipts Over Disbursements	(6,633)	996	(5,637)
Fund Cash Balances, January 1	<u>61,065</u>	<u>2,608</u>	<u>63,673</u>
Fund Cash Balances, December 31	<u>\$ 54,432</u>	<u>\$ 3,604</u>	<u>\$ 58,036</u>

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

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 AND 2009**

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 Proctorville, Lawrence County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including maintenance of roads and police services. The Village contracts with the Proctorville Volunteer Fire Department to receive fire protection services.

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. The 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. Deposits and Investments

The Village has one demand deposit account and certificates of deposits are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for the 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 license tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. 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:

Water Fund – This fund receives charges for services from residents to cover water service cost.

4. Fiduciary Funds (Agency Fund)

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 activities of the Village's Mayor's Court.

E. 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 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. The encumbrances outstanding at year end were canceled, and re-appropriated in the subsequent year.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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	2009
Demand deposits	\$111,496	\$135,194
Certificates of deposits	<u>21,544</u>	<u>21,407</u>
Total deposits	<u>\$133,040</u>	<u>\$156,601</u>

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and December 31, 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$218,839	\$179,816	\$(39,023)
Special Revenue	50,000	44,432	(5,568)
Enterprise	<u>128,000</u>	<u>114,081</u>	<u>(13,919)</u>
Total	<u>\$396,839</u>	<u>\$338,329</u>	<u>\$(58,510)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenses	Variance
General	\$278,400	\$188,507	\$89,893
Special Revenue	62,500	45,855	16,645
Enterprise	<u>165,000</u>	<u>124,925</u>	<u>40,075</u>
Total	<u>\$505,900</u>	<u>\$359,287</u>	<u>\$146,613</u>

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$194,100	\$203,436	\$9,336
Special Revenue	49,927	41,088	(8,839)
Enterprise	<u>133,000</u>	<u>119,991</u>	<u>(13,009)</u>
Total	<u>\$377,027</u>	<u>\$364,515</u>	<u>\$(12,512)</u>

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenses	Variance
General	\$229,200	\$192,452	\$36,748
Special Revenue	64,000	46,465	17,535
Enterprise	<u>176,000</u>	<u>126,624</u>	<u>49,376</u>
Total	<u>\$469,200</u>	<u>\$365,541</u>	<u>\$103,659</u>

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 property owner elects to pay semiannually, the first half is due December 31. The second half payment is due to the following June 20.

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

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

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

5. Debt

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Water Treatment Plant Mortgage Loan	\$164,164	6.45%
Total	<u>\$164,164</u>	

The Water Treatment Plan Mortgage Loan relates to a water treatment plant expansion project. The Water Loan is collateralized by water receipts.

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

Year ending December 31:	Water Plant Mortgage Loan
2011	<u>172,649</u>
Total	<u>\$172,649</u>

The Village intends to refinance the outstanding debt in 2011.

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 AND 2009
(Continued)**

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages. For 2010 and 2009, 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.

7. Risk Management

The Village has obtained commercial insurance for the following risks:

- Property and general liability

Risk Pool Membership

The Village is exposed to various risk 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. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

PEP retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. PEP pays a percentage of its contribution to APEEP. APEEP reinsures claims exceeding \$350,000, up to \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000 from General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$10,000,000.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined PEP members' to insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 AND 2009
(Continued)**

7. Risk Management (Continued)

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available).

	2009	2008
Assets	\$36,374,898	\$35,769,535
Liabilities	(15,256,862)	(15,310,206)
Net Assets	\$21,118,036	\$20,459,329

At December 31, 2009 and 2008, respectively, casualty coverage liabilities noted above include approximately \$14.0 million and \$15.2 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village share of these unpaid claims collectible in future years is approximately \$8,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph of this Note.

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.

Contributions to PEP	
2008	\$8,598
2009	\$8,253
2010	\$5,690

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of 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 incurred or reported prior to the withdrawal.

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 AND 2009
(Continued)**

7. Risk Management (Continued)

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs to provide coverage. To employees for job related injuries.

8. Compliance

Contrary to Ohio law, The Village had appropriations exceeding actual revenue plus prior year carryover balances.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by
Government Auditing Standards**

Village of Proctorville
Lawrence County
PO Box 406
Proctorville, Ohio 45669

To the Village Council:

We have audited the financial statements of Village of Proctorville, Lawrence County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 13, 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 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

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 13, 2011.

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



Balestra, Harr & Scherer, CPAs, Inc.
May 13, 2011

VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY
DECEMBER 31, 2010 AND 2009
SCHEDULE OF FINDINGS

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

FINDING NUMBER 2010-001

Material Noncompliance

5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. In 2010 the appropriations exceeded the actual revenue and prior year carryover by \$5,257 and \$13,259 in the Street Construction and Maintenance Fund and Water Operating Fund, respectively. In 2009 the appropriations exceeded the actual revenue and prior year carryover by \$7,329 and \$10,734 in the Street Construction and Maintenance Fund and Water Operating Fund, respectively. The Village did not obtain a reduced amended appropriations measure at year end.

The Village needs to obtain amended appropriations measure to ensure that appropriations do not exceed actual revenues and prior year carryovers.

Clients Response: No response provided.

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY
DECEMBER 31, 2010 AND 2009**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	Ohio Revised Code Section 5705.41(D) – Did not properly certify funds for expenditure.	No	Partially corrected, reissued as a management letter comment
2008-002	Ohio Revised Code Section 5705.36(A) – Did not obtain a reduced amended appropriations certificate.	No	Reissued as 2010-001
2008-003	Material Weakness – Monthly Reconciliations	Yes	
2008-004	Material Weakness – Inaccurate and incomplete recording of financial transactions.	Yes	

This Page is Intentionally Left Blank.



Dave Yost • Auditor of State

VILLAGE OF PROCTORVILLE

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 5, 2011