



Dave Yost • Auditor of State

VILLAGE OF SHADYSIDE
BELMONT 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) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2013	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15
Schedule of Prior Audit Findings	17

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Shadyside, Belmont County, Ohio (the Village), as of and for the year ended December 31, 2013.

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, 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 Shadyside, Belmont County, Ohio, as of December 31, 2013, and its combined cash receipts and disbursements for the year 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 April 25, 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

April 25, 2014

**VILLAGE OF SHADYSIDE
BELMONT 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	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$310,510	\$99,039			\$409,549
Intergovernmental	356,178	190,586			546,764
Charges for Services	17,351	29,299			46,650
Fines, Licenses and Permits	7,575				7,575
Earnings on Investments	711	190			901
Miscellaneous	24,822				24,822
<i>Total Cash Receipts</i>	<u>717,147</u>	<u>319,114</u>	<u>\$0</u>	<u>\$0</u>	<u>1,036,261</u>
Cash Disbursements					
Current:					
Security of Persons and Property	318,893	289,758			608,651
Public Health Services	13,102				13,102
Leisure Time Activities	27,696				27,696
Transportation	43,761	135,710		1,713	181,184
General Government	200,733	2,149			202,882
Capital Outlay		8,053			8,053
Debt Service:					
Principal Retirement	2,187				2,187
Interest and Fiscal Charges	535				535
<i>Total Cash Disbursements</i>	<u>606,907</u>	<u>435,670</u>	<u>0</u>	<u>1,713</u>	<u>1,044,290</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>110,240</u>	<u>(116,556)</u>	<u>0</u>	<u>(1,713)</u>	<u>(8,029)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	23,100				23,100
Other Financing Uses	(4)				(4)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>23,096</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,096</u>
<i>Net Change in Fund Cash Balances</i>	<u>133,336</u>	<u>(116,556)</u>	<u>0</u>	<u>(1,713)</u>	<u>15,067</u>
<i>Fund Cash Balances, January 1</i>	<u>582,139</u>	<u>800,819</u>	<u>4,511</u>	<u>33,375</u>	<u>1,420,844</u>
Fund Cash Balances, December 31					
Restricted		684,263	4,511	31,662	720,436
Unassigned	715,475				715,475
<i>Fund Cash Balances, December 31</i>	<u>\$715,475</u>	<u>\$684,263</u>	<u>\$4,511</u>	<u>\$31,662</u>	<u>\$1,435,911</u>

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

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$844,541		\$844,541
<i>Total Operating Cash Receipts</i>	<u>844,541</u>	<u>\$0</u>	<u>844,541</u>
Operating Cash Disbursements			
Personal Services	178,656		178,656
Employee Fringe Benefits	77,091		77,091
Contractual Services	143,872		143,872
Supplies and Materials	135,905		135,905
Other	4,705		4,705
<i>Total Operating Cash Disbursements</i>	<u>540,229</u>	<u>0</u>	<u>540,229</u>
<i>Operating Income</i>	<u>304,312</u>	<u>0</u>	<u>304,312</u>
Non-Operating Receipts (Disbursements)			
Property and Other Local Taxes	1,984		1,984
Other Debt Proceeds	181,974		181,974
Other Non-Operating Cash Receipts		10,752	10,752
Capital Outlay	(181,908)		(181,908)
Principal Retirement	(219,555)		(219,555)
Interest and Other Fiscal Charges	(77,353)		(77,353)
Other Non-Operating Cash Disbursements		(10,091)	(10,091)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(294,858)</u>	<u>661</u>	<u>(294,197)</u>
<i>Net Change in Fund Cash Balances</i>	9,454	661	10,115
<i>Fund Cash Balances, January 1 (As Restated, see Note 2)</i>	<u>1,570,428</u>	<u>210</u>	<u>1,570,638</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,579,882</u></u>	<u><u>\$871</u></u>	<u><u>\$1,580,753</u></u>

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, 2013**

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, emergency medical, and police services.

The Village is involved with Bel-O-Mar Regional Council, Eastern Ohio Regional Transit Authority and the OR&W Fire District, which are defined as jointly-governed organizations. Note 10 to the financial statements provides 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 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 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.

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

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. There was no activity in the debt service funds for the period January 1, 2013 through December 31, 2013.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Fund:

Bond Construction Fund - There were no receipts in this fund for the period January 1, 2013 through December 31, 2013. Expenditures of this fund were for engineering services.

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's Mayor's Court.

VILLAGE OF SHADYSIDE
BELMONT COUNTY

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

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process

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

1. Appropriations

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

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 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 reappropriated in the subsequent year.

A summary of 2013 budgetary activity appears in Note 4.

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.

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.

VILLAGE OF SHADYSIDE
BELMONT COUNTY

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

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

E. Fund Balance (Continued)

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.

G. 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**

The beginning fund balance was restated by the Village to reflect the activity of the Mayor's Court as an Agency Fund on the financial statements for the year ended December 31, 2013. 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, 2013:

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

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

2. Restatement of Fund Balance (Continued)

Fund Type	Fund Balance at 12/31/2012	Mayor's Court Activity	Restated Fund Balance at 01/01/13
Agency	\$0	\$210	\$210

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 and investments at December 31 was as follows:

Demand deposits	2013
	\$3,016,664

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 year ending December 31, 2013, follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$429,802	\$740,247	\$310,445
Special Revenue	279,841	319,114	39,273
Enterprise	1,033,129	1,028,499	(4,630)
Total	\$1,742,772	\$2,087,860	\$345,088

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,010,050	\$606,911	\$403,139
Special Revenue	1,048,636	435,670	612,966
Debt Service	4,511	0	4,511
Capital Projects	33,283	1,713	31,570
Enterprise	2,601,091	1,019,045	1,582,046
Total	\$4,697,571	\$2,063,339	\$2,634,232

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.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

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

5. Property Tax (Continued)

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.

6. Debt

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

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$576,170	0.00-2%
Ohio Water Development Authority Loans	333,720	4.79-6.87%
Total	\$909,890	

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

The Ohio Water Development Authority (OWDA) loans relate to water tank improvements and reservoir embankment repairs payable in semi-annual installments at annual percentage rates of 4.79% to 6.87%, with final payment due July 15, 2039. The loans are 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:	OPWC Loans	OWDA Loans	Grand Total
2014	\$13,762	\$29,184	\$42,946
2015	27,524	58,368	85,892
2016	27,524	19,122	46,646
2017	27,524	19,122	46,646
2018	27,524	19,122	46,646
2019-2023	137,621	95,609	233,230
2024-2028	83,167	95,609	178,776
2029-2033	83,167	95,609	178,776
2034-2038	83,167	95,609	178,776
2039-2043	74,850	19,122	93,972
Total	\$585,830	\$546,476	\$1,132,306

As of December 31, 2013, the Ohio Water Development Authority (OWDA) approved up to \$4,335,810 in loans to the Village for various projects, including a water plant generator, sewer system improvements, sewer collection system improvements, and water system improvements. The Village will repay the loans in semiannual installments at an annual percentage rate from 1.00% - 2.00%, with final payment due July 1, 2042. As of December 31, 2013, \$4,149,613 plus capitalized interest of \$11,436 is the total amount drawn down on these loans.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

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

6. Debt (Continued)

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. For 2013, OP&F participants contributed 10% of their wages from January 1, 2013 to June 30, 2013 and 10.75% from July 1, 2013 to December 31, 2013. For 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013, 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.

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 a 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. 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.

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.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

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

10. Jointly Governed Organizations (Continued)

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.

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

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 \$1,352,500. Of this amount, \$1,082,000 is the federally funded portion and \$270,500 is the Village's required local match. This project is now scheduled to begin during 2014.



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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Shadyside, Belmont County, Ohio (the Village), as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated April 25, 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 finding 2013-001 described in the accompanying Schedule of Findings to be a material weakness.

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 finding 2013-002 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, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2013-001.

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.

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

Columbus, Ohio

April 25, 2014

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013**

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

FINDING NUMBER 2013-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.42 states when the United States government or the state or any department, division, agency, authority, or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection within the meaning of section 5705.41 of the Revised Code.

AOS Bulletin 2000-008 provides guidance for cash basis accounting for on-behalf funding. In short, the Bulletin indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made. In addition, the applicable budgetary legal requirements should be followed for the program the same as if the moneys were received and expended by the local government. Ohio Rev. Code § 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

The Village received Ohio Water Development Authority (OWDA) money for a loan for water and sewer system improvements in the amount of \$181,608. Of this amount, the Fiscal Officer recorded an appropriation and an on-behalf-of receipt and expenditure in the accounting system in the amount of \$47,237, leaving an unrecorded appropriation and on-behalf of receipt (Other Debt Proceeds) and expenditure (Capital Outlay) in the amount of \$134,371.

The Village also received Ohio Public Works Commission (OPWC) money for a loan for water system improvements in the amount of \$365. The Fiscal Officer did not record an appropriation and an on-behalf-of receipt and expenditure in the accounting system for this amount

The Village adjusted the accompanying financial statements and Note 4 to the financial statements to properly reflect the on-behalf of receipt and expenditure activity and the appropriation amounts of the loan/grant monies received from OWDA and OPWC.

We recommend when the Village receives a grant or loan from the state or other subdivision the Fiscal Officer record the "deemed appropriated" amount to the accounting records. We also recommend the Village refer to Auditor of State Bulletins 2000-008 and 2002-004 and follow the recommended accounting treatment for the OWDA and OPWC funding expended directly to contractors on-behalf of the Village, whether a grant or a loan.

FINDING NUMBER 2013-002

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.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-002 (Continued)

Significant Deficiency (Continued)

The Village Officer's Handbook (revised March 2013) 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 classifications, or record all such transactions, based upon the source of the receipt or the nature of the disbursement. Also, distributions of water and sewer receipts were not posted to the correct fund.

The Village posted:

- Personal property replacement and reimbursement monies in the amounts of \$17,294, \$234, and \$2,971 were posted as Property Taxes instead of Intergovernmental within the General, Police Pension, and Police Levy Funds' respectively.
- A state grant in the amount of \$7,276 was posted as Miscellaneous and a county grant in the amount of \$3,280 was posted to Other Financing Sources instead of Intergovernmental within the General Fund.
- A sale of assets in the amount of \$23,100 was posted as Miscellaneous instead of Sale of Capital Assets within the General Fund.
- Permissive Motor Vehicle License Tax in the amount of \$11,942 was posted as Intergovernmental instead of Property Taxes within the Permissive Motor Vehicle License Fund.
- Water collections in the amount of \$1,286 were posted as Property Taxes instead of Charges for Services within the Water Operating Fund.
- Sewer collections in the amount of \$37,021 were posted to Miscellaneous instead of Charges for Services within the Sewer Plant Replacement Fund.
- Ohio Water Development Authority (OWDA) on-behalf-of payments in the amount of \$47,170 were posted to Contractual Services instead of Capital Outlay within the Water System Improvement Fund.
- Sewer collections in the amount of \$25,554 were posted to the Water Equipment Replacement Fund instead of the Sewer Operating Fund.
- Sewer collections in the amount of \$23,694 were posted to the Sewer Surplus Fund instead of the Sewer Plant Replacement Fund.

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

We recommend the Village utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions. We also recommend the Village allocate the sewer and water collections to the proper funds based on the distributions set by Village Council.

Officials' Response: 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, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Ohio Rev. Code Section 5705.41(B) regarding expenditures exceeding appropriations.	Yes	
2012-02	Ohio Rev. Code Section 5705.42 regarding not posting on-behalf-of loan activity.	No	Not Corrected; Reissued as Finding No. 2013-001.
2012-03	Material Weakness - regarding incorrect posting of receipts.	No	Not Corrected; Reissued as Finding No. 2013-002.
2012-04	Significant Deficiency - regarding inaccurate budgetary postings to the accounting system.	Yes	

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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
MAY 20, 2014