



Dave Yost • Auditor of State



VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Proctorville  
Lawrence County  
409 Elizabeth Street  
Proctorville, Ohio 45669

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Village of Proctorville, Lawrence County, Ohio (the Village) as of and for the years ended December 31, 2014 and 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 opinions.

### ***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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2014 and 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 Village of Proctorville, Lawrence County as of December 31, 2014 and 2013, 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 March 4, 2016, 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

March 4, 2016

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$25,554	\$5,782	\$31,336
Intergovernmental	38,610	46,948	85,558
Fines, Licenses and Permits	126,907	2,121	129,028
Miscellaneous	13,553	0	13,553
<i>Total Cash Receipts</i>	<u>204,624</u>	<u>54,851</u>	<u>259,475</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	157,533	14,416	171,949
Transportation	0	40,488	40,488
General Government	130,968	0	130,968
Capital Outlay	42,000	0	42,000
Debt Service:			
Principal Retirement	7,720	0	7,720
Interest and Fiscal Charges	1,682	0	1,682
<i>Total Cash Disbursements</i>	<u>339,903</u>	<u>54,904</u>	<u>394,807</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(135,279)</u>	<u>(53)</u>	<u>(135,332)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Debt Proceeds	42,000	0	42,000
Sale of Capital Assets	100,000	0	100,000
Other Financing Uses	(168)	0	(168)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>141,832</u>	<u>0</u>	<u>141,832</u>
<i>Net Change in Fund Cash Balances</i>	6,553	(53)	6,500
<i>Fund Cash Balances, January 1</i>	<u>(3,277)</u>	<u>14,859</u>	<u>11,582</u>
<b>Fund Cash Balances, December 31</b>			
Restricted			
Drug and Alcohol Education and Enforcement		574	574
Fire Operations		10,742	10,742
Police Operations		975	975
Road Maintenance and Improvements		2,515	2,515
Assigned	2,261	0	2,261
Unassigned (Deficit)	1,015	0	1,015
<i>Fund Cash Balances, December 31</i>	<u>\$3,276</u>	<u>\$14,806</u>	<u>\$18,082</u>

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

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL ENTERPRISE AND AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$132,450	\$0	\$132,450
<i>Total Operating Cash Receipts</i>	<u>132,450</u>	<u>0</u>	<u>132,450</u>
<b>Operating Cash Disbursements</b>			
Personal Services	57,301	0	57,301
Supplies and Materials	42,296	0	42,296
Other	3,045	0	3,045
<i>Total Operating Cash Disbursements</i>	<u>102,642</u>	<u>0</u>	<u>102,642</u>
<i>Operating Income (Loss)</i>	<u>29,808</u>	<u>0</u>	<u>29,808</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Capital Outlay	(1,132)	0	(1,132)
Principal Retirement	(13,485)	0	(13,485)
Interest and Other Fiscal Charges	(1,830)	0	(1,830)
Other Financing Sources	0	143,950	143,950
Other Financing Uses	(11,000)	(142,156)	(153,156)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(27,447)</u>	<u>1,794</u>	<u>(25,653)</u>
<i>Net Change in Fund Cash Balances</i>	2,361	1,794	4,155
<i>Fund Cash Balances, January 1</i>	<u>31,854</u>	<u>2,504</u>	<u>34,358</u>
<i>Fund Cash Balances, December 31</i>	<u>\$34,215</u>	<u>\$4,298</u>	<u>\$38,513</u>

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

**VILLAGE OF PROCTORVILLE  
LAWRENCE 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)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$25,583	\$5,796	\$31,379
Intergovernmental	17,865	36,620	54,485
Fines, Licenses and Permits	136,721	1,638	138,359
Miscellaneous	23,579	0	23,579
	<u>203,748</u>	<u>44,054</u>	<u>247,802</u>
<i>Total Cash Receipts</i>			
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	163,195	2,439	165,634
Leisure Time Activities	150	0	150
Transportation	0	33,568	33,568
General Government	52,797	0	52,797
Debt Service:			
Principal Retirement	8,820	0	8,820
Interest and Fiscal Charges	683	0	683
	<u>225,645</u>	<u>36,007</u>	<u>261,652</u>
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(21,897)</u>	<u>8,047</u>	<u>(13,850)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Uses	(1,458)	0	(1,458)
	<u>(1,458)</u>	<u>0</u>	<u>(1,458)</u>
<i>Total Other Financing Receipts (Disbursements)</i>			
<i>Net Change in Fund Cash Balances</i>	<u>(23,355)</u>	<u>8,047</u>	<u>(15,308)</u>
<i>Fund Cash Balances, January 1</i>	<u>20,078</u>	<u>6,812</u>	<u>26,890</u>
<b>Fund Cash Balances, December 31</b>			
Restricted			
Fire Operations		6,456	6,456
Police Operations		1,972	1,972
Road Maintenance and Improvements		6,431	6,431
Unassigned (Deficit)	(3,277)	0	(3,277)
	<u>(3,277)</u>	<u>0</u>	<u>(3,277)</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$3,277)</u>	<u>\$14,859</u>	<u>\$11,582</u>

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

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL ENTERPRISE AND AGENCY FUNDS  
FOR THE YEAR ENDE DECEMBER 31, 2013**

	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$130,642	\$0	\$130,642
<i>Total Operating Cash Receipts</i>	<u>130,642</u>	<u>0</u>	<u>130,642</u>
<b>Operating Cash Disbursements</b>			
Personal Services	56,925	0	56,925
Supplies and Materials	36,456	0	36,456
Other	2,729	0	2,729
<i>Total Operating Cash Disbursements</i>	<u>96,110</u>	<u>0</u>	<u>96,110</u>
<i>Operating Income (Loss)</i>	<u>34,532</u>	<u>0</u>	<u>34,532</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	998	0	998
Principal Retirement	(30,380)	0	(30,380)
Interest and Other Fiscal Charges	(2,353)	0	(2,353)
Other Financing Sources	0	149,036	149,036
Other Financing Uses	(1,377)	(146,532)	(147,909)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(33,112)</u>	<u>2,504</u>	<u>(30,608)</u>
<i>Net Change in Fund Cash Balances</i>	1,420	2,504	3,924
<i>Fund Cash Balances, January 1</i>	<u>30,434</u>	<u>0</u>	<u>30,434</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$31,854</u></u>	<u><u>\$2,504</u></u>	<u><u>\$34,358</u></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, 2014 AND 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 Proctorville, Lawrence County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water utilities, maintenance of roads, and police and 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The Village has one demand deposit account and no investments.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund 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 tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

Fire Fighting Fund - This fund receives tax money for providing fire protection to the Village.

**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 costs.

**4. Fiduciary Funds**

Fiduciary funds include agency funds.

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 (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. 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.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. 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.

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.

G. 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.

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**H. 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. 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:

	2014	2013
Demand deposits	\$52,297	\$43,436
Mayor's Court	4,298	2,504
Total deposits	\$56,595	\$45,940

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$359,350	\$346,624	(\$12,726)
Special Revenue	56,500	54,851	(1,649)
Enterprise	130,000	132,450	2,450
Total	\$545,850	\$533,925	(\$11,925)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$334,200	\$342,332	(\$8,132)
Special Revenue	77,200	55,328	21,872
Enterprise	160,000	131,236	28,764
Total	\$571,400	\$528,896	\$42,504

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. Budgetary Activity (Continued)**

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$260,153	\$203,748	(\$56,405)
Special Revenue	53,000	44,054	(8,946)
Enterprise	159,300	131,640	(27,660)
Total	\$472,453	\$379,442	(\$93,011)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$236,200	\$229,271	\$6,929
Special Revenue	53,000	36,997	16,003
Enterprise	184,000	130,574	53,426
Total	\$473,200	\$396,842	\$76,358

**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, 2014 was as follows:

	Principal	Interest Rate
Various Purpose Revenue Bonds	\$105,000	2%
Village Hall Mortgage	\$38,195	3.3%
Total	\$143,195	

The Village took out a twenty year mortgage through Citizens Deposit Bank in 2014 to purchase the Village Hall they now reside in. The loan amount was \$42,000 with an interest rate of 3.3%. The loan was secured by the deed to the property. The Village paid \$2,553 in extra principal payments in 2014.

The Village issued \$200,000 in Various Purpose Revenue Bonds in 2011 for the purpose of redeeming prior Village debt related to the water plan improvements and to acquire police vehicles.

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**5. Debt (Continued)**

The Village collateralized these bonds with revenues of the Village.

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

Year ending December 31:	Various Purpose Revenue Bonds	Village Hall Mortgage
2015	\$19,811	\$2,883
2016	26,126	2,883
2017	32,198	2,883
2018	32,074	2,883
2019		2,883
2020-2024		14,415
2025-2029		14,415
2030-2034		9,460
Total	\$110,209	\$52,705

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 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, 2014.

**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, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. Risk Management (Continued)**

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, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	<u>(12,760,194)</u>	<u>(12,363,257)</u>
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Government's share of these unpaid claims collectible in future years is approximately \$1,239.

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>2013</u>	<u>2014</u>
2,923	1,877

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 Proctorville  
Lawrence County  
409 Elizabeth Street  
Proctorville, Ohio 45669

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 cash balances, receipts, and disbursements by fund type of the Village of Proctorville, Lawrence County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated March 4, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) 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.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2014-001 to be a material weakness.

***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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Village's Response to Finding***

The Village's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

***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

March 4, 2016

**VILLAGE OF PROCTORVILLE  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Material Weakness**

Sound financial reporting is the responsibility of the Village Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, we identified the following errors:

In 2013:

- General Fund General Government Expenditures in the amount of \$699 were not recorded.
- General Fund Miscellaneous Revenue in the amount of \$33 was not recorded.
- General Fund Principal and Interest Expenditures in the amounts of \$8,820 and \$683, respectively, were misposted as Security of Persons and Property and General Government Expenditures.
- General Fund Intergovernmental Revenue in the amount of \$3,468 was misposted as Tax Revenue.
- General Fund Intergovernmental Revenue in the amount of \$1,323 was misposted as Miscellaneous Revenue.
- General Fund Fines, Licenses, and Permit Revenue in the amount of \$6,495 was misposted as Miscellaneous Revenue.
- Closing of a certificate of deposit in the amount of \$10,843 in the General Fund and \$2,610 in the Street Maintenance and Repair Fund was misposted as Miscellaneous Revenue.
- Fire Fund Intergovernmental Revenue in the amount of \$719 was misposted as Tax Revenue.
- Street Maintenance and Repair Fund Intergovernmental Revenue in the amount of \$1,951 was misposted as Miscellaneous Revenue.
- Water Fund Principal and Interest Expenditures in the amounts of \$3,069 and \$2,353, respectively, were misposted as Other Financing Uses.
- Water Fund Charges for Services Revenue in the amount of \$998 was misposted as Intergovernmental Revenue.
- The Mayor's Court activity (\$149,036 in receipts and \$146,532 in disbursements) was not included in the financial statements.

In 2014:

- General Fund General Government Expenditures in the amount of \$430 was not recorded.

**FINDING NUMBER 2014-001  
(Continued)**

- General Fund Miscellaneous Revenue in the amount of \$80 was not recorded.
- General Fund Principal and Interest Expenditures in the amounts of \$7,720 and \$1,682, respectively, were misposted as Security of Persons and Property and General Government Expenditures.
- General Fund Debt Proceeds and Capital Outlay Expenditures in the amount of \$42,000 was not recorded.
- General Fund Assigned Fund balance in the amount of \$2,261 was misposted as Unassigned.
- General Fund Intergovernmental Revenue in the amount of \$1,780 was misposted as Tax Revenue.
- General Fund Sale of Capital Assets in the amount of \$100,000 was misposted as Miscellaneous Revenue.
- General Fund Reduction of General Government Expenditures for an OPERS adjustment in the amount of \$10,042 was misposted as Miscellaneous Revenue.
- Fire Fund Intergovernmental Revenue in the amount of \$376 was misposted as Tax Revenue.
- Water Fund Interest Expenditures in the amount of \$975 was misposted as Water Fund Principal and General Fund General Government Expenditures.
- The Mayor's Court activity (\$143,950 in receipts and \$142,156 in disbursements) was not included in the financial statements.

The Village Fiscal Officer made classification errors in posting of revenues and expenditures. The audited financial statements and the Village's UAN accounting system have been adjusted for the issues noted above, as appropriate.

Inaccurate and incomplete financial statements do not provide officials with the information required to make informed decisions. We recommend the Village Fiscal Officer review the Village Officer's Handbook for guidance on the correct line items to post various receipts and disbursements of the Village to ensure the Village's financial statements are complete and accurate.

**Officials' Response:**

Village Fiscal Officer will strive to improve postings in the future.



# 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  
MARCH 22, 2016