



**Auditor of State
Betty Montgomery**

VILLAGE OF SHADYSIDE
BELMONT COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Shadyside, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Shadyside, Belmont County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Shadyside
Belmont County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 27, 2003

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$319,863	\$168,654	\$	\$	\$	\$488,517
Intergovernmental Receipts	277,791	120,062		172,050		569,903
Charges for Services	9,919					9,919
Fines, Licenses, and Permits	16,497					16,497
Earnings on Investments	17,887	3,187		496	6,232	27,802
Miscellaneous	24,636					24,636
Total Cash Receipts	<u>666,593</u>	<u>291,903</u>	<u>0</u>	<u>172,546</u>	<u>6,232</u>	<u>1,137,274</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	305,733	157,361				463,094
Public Health Services	12,645					12,645
Leisure Time Activities	23,407					23,407
Community Environment	1,029					1,029
Transportation	76,716	125,333		34,649		236,698
General Government	162,665					162,665
Capital Outlay		17,189		301,992		319,181
Total Cash Disbursements	<u>582,195</u>	<u>299,883</u>	<u>0</u>	<u>336,641</u>	<u>0</u>	<u>1,218,719</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>84,398</u>	<u>(7,980)</u>	<u>0</u>	<u>(164,095)</u>	<u>6,232</u>	<u>(81,445)</u>
Other Financing Receipts and (Disbursements):						
Other Debt Proceeds				129,942		129,942
Transfers-In	17,206	17,206				34,412
Transfers-Out	(17,206)			(17,206)		(34,412)
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>17,206</u>	<u>0</u>	<u>112,736</u>	<u>0</u>	<u>129,942</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	84,398	9,226	0	(51,359)	6,232	48,497
Fund Cash Balances, January 1	518,657	174,275	4,372	85,034	344,624	1,126,962
Fund Cash Balances, December 31	<u>\$603,055</u>	<u>\$183,501</u>	<u>\$4,372</u>	<u>\$33,675</u>	<u>\$350,856</u>	<u>\$1,175,459</u>

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

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$648,431
Miscellaneous	3,506
	<u>651,937</u>
Operating Cash Disbursements:	
Personal Services	149,383
Fringe Benefits	62,186
Contractual Services	91,666
Supplies and Materials	64,590
Other	19,869
Capital Outlay	109,184
	<u>496,878</u>
Total Operating Cash Disbursements	<u>496,878</u>
Operating Income/(Loss)	<u>155,059</u>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	57,350
Other Debt Proceeds	43,314
	<u>100,664</u>
Total Non-Operating Cash Receipts	<u>100,664</u>
Non-Operating Cash Disbursements:	
Redemption of Principal	117,446
Interest and Other Fiscal Charges	68,900
	<u>186,346</u>
Total Non-Operating Cash Disbursements	<u>186,346</u>
Net Receipts Over/(Under) Disbursements	69,377
Fund Cash Balances, January 1	<u>580,958</u>
Fund Cash Balances, December 31	<u><u>\$650,335</u></u>

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

VILLAGE OF SHADYSIDE
BELMONT COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$318,250	\$165,459	\$	\$	\$	\$483,709
Intergovernmental Receipts	330,891	190,547		39,551		560,989
Charges for Services	11,591					11,591
Fines, Licenses, and Permits	18,082					18,082
Earnings on Investments	22,782	1,837		2,741	13,712	41,072
Miscellaneous	52,728					52,728
Total Cash Receipts	754,324	357,843	0	42,292	13,712	1,168,171
Cash Disbursements:						
Current:						
Security of Persons and Property	294,512	205,222				499,734
Public Health Services	13,000					13,000
Leisure Time Activities	34,758					34,758
Community Environment	1,000					1,000
Transportation	79,762	107,703				187,465
General Government	190,142					190,142
Capital Outlay		59,246		39,551		98,797
Total Cash Disbursements	613,174	372,171	0	39,551	0	1,024,896
Total Cash Receipts Over/(Under) Cash Disbursements	141,150	(14,328)	0	2,741	13,712	143,275
Other Financing Receipts and (Disbursements):						
Transfers-In		15,000				15,000
Transfers-Out	(15,000)					(15,000)
Total Other Financing Receipts/(Disbursements)	(15,000)	15,000	0	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	126,150	672	0	2,741	13,712	143,275
Fund Cash Balances, January 1	392,507	173,603	4,372	82,293	330,912	983,687
Fund Cash Balances, December 31	\$518,657	\$174,275	\$4,372	\$85,034	\$344,624	\$1,126,962

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

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$614,127
Earnings on Investment	5,032
Miscellaneous	10
	619,169
Total Operating Cash Receipts	619,169
Operating Cash Disbursements:	
Personal Services	147,808
Fringe Benefits	65,048
Contractual Services	87,989
Supplies and Materials	85,174
Other	18,676
Capital Outlay	24,656
	429,351
Total Operating Cash Disbursements	429,351
Operating Income/(Loss)	189,818
Non-Operating Cash Receipts:	
Intergovernmental Receipts	13,184
	13,184
Total Non-Operating Cash Receipts	13,184
Non-Operating Cash Disbursements:	
Redemption of Principal	110,205
Interest and Other Fiscal Charges	76,141
	186,346
Total Non-Operating Cash Disbursements	186,346
Net Receipts Over/(Under) Disbursements	16,656
Fund Cash Balances, January 1	564,302
Fund Cash Balances, December 31	\$580,958

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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Shadyside, Belmont County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park and pool operations, fire, emergency medical, and police services. The Village is involved with the Bel-O-Mar Regional Council and the Eastern Ohio Regional Transit Authority, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 8.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and the repurchase agreement are valued at cost. Money market mutual funds (including STAROhio) are recorded at share values reported by the mutual fund.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund

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

Fire Apparatus Levy Fund -This fund receives property tax money to provide fire and emergency medical services to Village residents.

Police Fund – This fund receives property tax money to provide police protection to Village residents.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bond and note indebtedness. There was no activity in the Village's debt service fund for the period January 1, 2001 through December 31, 2002.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects fund:

Other Capital Projects Fund - This fund receives grant and loan proceeds from the Ohio Public Works Commission for the construction of storm sewers within the Village.

5. Enterprise Funds

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

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant fiduciary fund:

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust Funds) (Continued)

Swamberg Estate Trust Fund – This expendable trust fund receives interest from Star Ohio with the principal and interest to be used for the betterment of the Village, excluding general operations.

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 object level of control, and appropriations may not exceed estimated resources. The 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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$181,929	\$225,411
Certificates of deposit	66,874	66,129
Total deposits	248,803	291,540
STAROhio	755,349	741,933
Repurchase agreement	821,642	674,447
Total investments	1,576,991	1,416,380
Total deposits and investments	\$1,825,794	\$1,707,920

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

Investments: Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form. Securities purchased pursuant to the repurchase agreement are delivered into the custody of the bank's trust company.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001, follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$583,645	\$683,799	\$100,154
Special Revenue	308,796	309,109	313
Capital Projects	2,652	302,488	299,836
Enterprise	683,487	752,601	69,114
Fiduciary	20,600	6,232	(14,368)
Total	\$1,599,180	\$2,054,229	\$455,049

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$662,706	\$599,401	\$63,305
Special Revenue	434,353	299,883	134,470
Debt Service	4,372	0	4,372
Capital Projects	87,686	353,847	(266,161)
Enterprise	884,980	683,224	201,756
Fiduciary	365,224	0	365,224
Total	\$2,439,321	\$1,936,355	\$502,966

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$551,747	\$754,324	\$202,577
Special Revenue	334,309	372,843	38,534
Capital Projects	2,575	42,292	39,717
Enterprise	646,875	632,353	(14,522)
Fiduciary	20,000	13,712	(6,288)
Total	\$1,555,506	\$1,815,524	\$260,018

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$673,500	\$628,174	\$45,326
Special Revenue	455,747	372,171	83,576
Capital Projects	83,651	39,551	44,100
Enterprise	882,107	615,697	266,410
Fiduciary	349,691	0	349,691
Total	\$2,444,696	\$1,655,593	\$789,103

Contrary to Ohio law, an increased amended certificate from the County Budget Commission was not obtained for the Street Construction, Maintenance, and Repair Fund in the amount of \$5,205, in the Other Capital Projects Fund in the amount of \$336,992, and in the Sewer Operating Fund in the amount of \$91,224 in the year 2002 and for the Other Capital Projects Fund in the amount of \$39,551 in the year 2001.

Contrary to Ohio law, appropriations exceeded estimated resources in the Street Construction, Maintenance, and Repair Fund by \$14,205 and in the Other Capital Projects Fund in the amount of \$35,000, for the year ended December 31, 2002.

Also contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Other Capital Projects Fund by \$301,992 and in the Sewer Operating Fund by \$100,664 for the year ended December 31, 2002 and in the Other Capital Projects Fund by \$39,551 and in the Sewer Operating Fund by \$13,184 for the year ended December 31, 2001.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX (Continued)

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, 2002, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$711,973	5.86 - 9.88%
Ohio Public Works Commission Water/Sewer Improvement Loans	184,833	2.00%
Ohio Public Works Commission Sanitary/Storm Sewer Loan	173,225	2.00%
Total	\$1,070,031	

The Ohio Water Development Authority (OWDA) loans relate to water and sewer and water tank improvements. The Ohio Public Works Commission (OPWC) loans relate to water and sewer system improvements. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

As of December 31, 2002, the Village had borrowed \$173,225 on a third loan from the OPWC for a sanitary/storm sewer project. The maximum amount approved by the OPWC to be borrowed is \$175,000 leaving a balance available of \$1,775. A repayment schedule will be prepared by the OPWC when the project is closed. Since the Sanitary/Sewer Project is not complete, OPWC has not provided an amortization schedule yet.

Amortization for the OWDA and OPWC Water/Sewer Improvement Loans, including interest, is scheduled as follows:

	OWDA Loans	OPWC Water/Sewer Improvement Loans
Year ending December 31:		
2003	\$146,608	\$39,738
2004	146,608	39,738
2005	146,608	53,406
2006	146,608	26,071
2007	98,782	26,071
2008 – 2012	202,085	39,106
2013 – 2017	98,115	
Total	\$985,414	\$224,130

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees and officials belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

7. 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 employees through a private carrier.

8. JOINTLY GOVERNED ORGANIZATIONS

A. Bel-O-Mar Regional Council is operated as a non-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. 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. Bel-O-Mar Regional Council received \$1,102 for 2002 annual fees and \$1,029 for 2003 annual fees paid in 2002.

B. Eastern Ohio Regional Transit 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 Mayors of the municipalities served by the Authority. The continued existence of the Authority is not dependent on the Village's continued participation and no equity interest exists for which the Village is responsible.

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Shadyside, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 27, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-31007-001 through 2002-31007-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 27, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 2002-31007-007 and 2002-31007-008.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses.

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Village of Shadyside
Belmont County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 27, 2003.

This report is intended solely for the information and use of the audit committee, management, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 27, 2003

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-31007-001

Noncompliance Citation

Ohio Rev. Code Section 5705.10 requires that all revenue derived from a specific source shall be credited to a special fund for that purpose for which the monies were received.

In 2001, in order to clear the withholdings from the UAN payroll system for employee share of health insurance, the Village Clerk/Treasurer prepared a check drawn on the Village checking account payable to the Village of Shadyside in the amount of \$13,200. The disbursement was charged as follows: General Fund, \$5,975, Street Construction, Maintenance, and Repair Fund, \$1,800, Police Levy Fund, \$1,825, Water Operating Fund, \$1,800, and Sewer Operating Fund, \$1,800. When the Village Clerk/Treasurer posted the receipt for this check, the revenue should have been posted in the same proportion as the disbursement, however, the Village Clerk/Treasurer posted \$13,200 to the General Fund.

A finding for adjustment is hereby issued against the Village of Shadyside General Fund, in the amount of \$7,225, in favor of the Village of Shadyside Street Construction, Maintenance, and Repair Fund in the amount of \$1,800, Police Levy Fund in the amount of \$1,825, Water Operating Fund in the amount of \$1,800, and Sewer Operating Fund in the amount of \$1,800. The Village Clerk/Treasurer has posted this adjustment and this adjustment is reflected in the accompanying financial statements.

FINDING NUMBER 2002-31007-002

Noncompliance Citation

Ohio Rev. Code Section 5705.10 requires that all revenue derived from a specific source shall be credited to a special fund for that purpose for which the monies were received.

In 2001, the Village Clerk/Treasurer recorded monies into the Daisy Run Fund in the amount of \$9,133, however, the amount was to be allocated to the Ohio Water Development Authority (OWDA) Sewer Plant Fund per Village Ordinance 927.09(A).

A finding for adjustment is hereby issued against the Village of Shadyside Daisy Run Fund, in the amount of \$9,133, in favor of the Village of Shadyside OWDA Sewer Plant Fund. The Village Clerk/Treasurer has posted this adjustment and this adjustment is reflected in the accompanying financial statements.

FINDING NUMBER 2002-31007-003

Noncompliance Citation

Ohio Rev. Code Section 5705.36 requires in part, that an increased amended certificate of estimated resources must be obtained from the budget commission if the legislative authority intends to appropriate and expend revenue in excess of the original certificate of estimated resources.

In 2002, actual revenues exceeded estimated revenues by \$5,205 for the Street Construction, Maintenance, and Repair Fund, \$336,992 for the Other Capital Projects Fund, and \$91,224 for the Sewer Operating Fund. In 2001, actual revenues exceeded estimated revenues by \$39,551 for the Other Capital Projects Fund. The Village then expended these monies.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2002-31007-003
(Continued)**

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.36 (Continued)

We recommend the Village Clerk/Treasurer amend the certificate of estimated resources when they intend to expend revenue in excess of the original certificate of estimated resources.

FINDING NUMBER 2002-31007-004

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditures therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals.

In 2002, appropriations exceeded the total estimated resources for the Street Construction, Maintenance, and Repair Fund by \$14,205 and the Other Capital Projects Fund by \$35,000.

We recommend the Village not appropriate amounts in excess of estimated resources.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-31007-005

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

The following funds had expenditures which exceeded appropriations by the following amounts:

2002	
Other Capital Projects Fund	
Capital Outlay	\$301,992
Sewer Operating Fund	
Capital Outlay	\$100,664
2001	
Other Capital Projects Fund	
Capital Outlay	\$39,551
Sewer Operating Fund	
Capital Outlay	\$13,184

These variances resulted from posting audit adjustments for on behalf of payments made by the Ohio Public Works Commission which were not properly recorded by the Village.

We recommend the Village Clerk/Treasurer present Village Council with appropriation increases as necessary to avoid expenditures in excess of appropriations.

FINDING NUMBER 2002-31007-006

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-31007-006 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(D)(1) (Continued)

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular for any one particular line item appropriation.

In addition to these blanket certificates, a subdivision may also make expenditures and contracts from a specific line-item appropriation account in a specified fund over \$5,000 upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year.

The Village Clerk/Treasurer's prior certification of available funds was not obtained for 88% of transactions tested and there was no evidence of a "Then and Now" certificate being used by the Village Clerk/Treasurer.

We recommend the Village obtain the Village Clerk/Treasurer's prior certification of available funds for all disbursements.

FINDING NUMBER 2002-31007-007

Reportable Condition - Recording of On-Behalf-of Grants

The Auditor of State provided, through Auditor of State Bulletins 2000-008 and 2002-004, the recommended accounting treatment for on behalf of grants or loans including Ohio Public Works Commission Funds.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2002-31007-007
(Continued)**

Reportable Condition - Recording of On-Behalf-of Grants (Continued)

During 2002, the Village did not record Ohio Public Works Commission grant and loan transactions on their accounting records or financial statements in the amount of \$301,992, in the Other Capital Projects Fund, and \$100,664 in the Sewer Operating Fund. During 2001, the Village did not record Ohio Public Works Commission grant and loan transactions on their accounting records or financial statements in the amount of \$39,551, in the Other Capital Projects Fund, and \$13,184 in the Sewer Operating Fund.

We recommend the Village refer to Auditor of State Bulletins 2000-008 and 2002-004 and follow the recommended accounting treatment for all Ohio Public Works Commission Funds expended directly to contractors on behalf of the Village.

FINDING NUMBER 2002-31007-008

Reportable Condition - Receipt Classifications and Posting

Several receipts were not posted into accurate revenue classifications based on the source of the receipt. As a result, several reclassification entries were required to reflect these revenues into the correct receipt classifications. This situation could result in inaccurate financial information being distributed to Village officials and/or grantor agencies.

We recommend the Village Clerk/Treasurer consult the Village Handbook and/or the Uniform Accounting Network Accounting Manual when monies are received, to help ensure these receipts are posted to the appropriate receipt classification and accurate financial statements are prepared.

**VILLAGE OF SHADYSIDE
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-31007-001	Ohio Rev. Code Section 5705.41(D), not certifying availability of funds prior to incurring obligations.	No	Reissued as Finding Number 2002-31007-006
2000-31007-002	Ohio Rev. Code Section 5705.10, improper posting of sewer receipts.	No	Reissued as Finding Number 2002-31007-002.



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VILLAGE OF SHADYSIDE

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 5, 2003**