

Village of Proctorville
Lawrence County, Ohio

Regular Audit

For the years ended December 31, 2008 and 2007
Fiscal Years Audited Under GAGAS: 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Proctorville, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 29, 2009

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Village of Proctorville
Lawrence County, Ohio
For the Years Ended December 31, 2008 and 2007
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Ohio Society of Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of Village of Proctorville, Lawrence County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

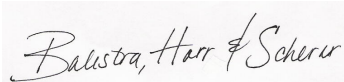
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Proctorville, Lawrence County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Village of Proctorville
Lawrence County
Independent Auditors' Report

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

June 30, 2009

Village of Proctorville, Lawrence County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 29,044	\$ 7,360	\$ 36,404
Intergovernmental	32,531	37,093	69,624
Rent Revenue	21,600	-	21,600
Fines, Licenses, and Permits	105,120	1,218	106,338
Miscellaneous	11,591	-	11,591
	<u>199,886</u>	<u>45,671</u>	<u>245,557</u>
Cash Disbursements:			
Current:			
Security of Persons & Property	105,851	8,635	114,486
Leisure Time Activities	505	-	505
Transportation	-	40,418	40,418
General Government	62,316	-	62,316
	<u>168,672</u>	<u>49,053</u>	<u>217,725</u>
Total Cash Receipts Over/(Under) Cash Disbursements	31,214	(3,382)	27,832
Other Financing Receipts and (Disbursements):			
Transfers-In	-	5,727	5,727
Transfers-Out	-	(5,727)	(5,727)
Other Uses	(464)	-	(464)
	<u>(464)</u>	<u>-</u>	<u>(464)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	30,750	(3,382)	27,368
Fund Cash Balances, January 1	<u>39,391</u>	<u>26,199</u>	<u>65,590</u>
Fund Cash Balances, December 31	<u><u>\$ 70,141</u></u>	<u><u>\$ 22,817</u></u>	<u><u>\$ 92,958</u></u>

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

Village of Proctorville, Lawrence County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
All Proprietary and Similar Fiduciary Fund Types
For the Year Ended December 31, 2008

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 106,735	\$ -	\$ 106,735
Total Operating Cash Receipts	<u>106,735</u>	<u>-</u>	<u>106,735</u>
Operating cash disbursements			
Personal services	44,475	-	44,475
Supplies and Materials	34,016	-	34,016
Other	<u>3,721</u>	<u>-</u>	<u>3,721</u>
Total Operating Cash Disbursements	<u>82,212</u>	<u>-</u>	<u>82,212</u>
Operating Income	24,523	-	24,523
Non-Operating Cash Receipts/Disbursements			
Other Non-operating Receipts		120,346	120,346
Redemption of Principal	(17,650)	-	(17,650)
Interest and Fiscal Charges	(13,229)	-	(13,229)
Other Non-operating Disbursements		<u>(118,836)</u>	<u>(118,836)</u>
Total Non-Operating Receipts/Disbursements	<u>(30,879)</u>	<u>1,510</u>	<u>(29,369)</u>
Net Receipts Over/(Under) Disbursements	(6,356)	1,510	(4,846)
Fund Cash Balances, January 1	<u>67,421</u>	<u>1,098</u>	<u>68,519</u>
Fund Cash Balances, December 31	<u>\$ 61,065</u>	<u>\$ 2,608</u>	<u>\$ 63,673</u>

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

Village of Proctorville, Lawrence County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 25,741	\$ 6,352	\$ 32,093
Intergovernmental	29,728	39,274	69,002
Rent Revenue	21,600	-	21,600
Fines, Licenses, and Permits	75,880	507	76,387
Miscellaneous	7,224	-	7,224
	<u>160,173</u>	<u>46,133</u>	<u>206,306</u>
Total Cash Receipts			
	<u>160,173</u>	<u>46,133</u>	<u>206,306</u>
Cash Disbursements:			
Current:			
Security of Persons & Property	104,395	7,260	111,655
Leisure Time Activities	1,558	-	1,558
Transportation	-	47,535	47,535
General Government	63,298	-	63,298
	<u>169,251</u>	<u>54,795</u>	<u>224,046</u>
Total Cash Disbursements			
	<u>169,251</u>	<u>54,795</u>	<u>224,046</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(9,078)	(8,662)	(17,740)
Other Financing Receipts and (Disbursements):			
Other Sources	19	-	19
Other Uses	(1,150)	-	(1,150)
	<u>(1,131)</u>	<u>-</u>	<u>(1,131)</u>
Total Other Financing (Disbursements)			
	<u>(1,131)</u>	<u>-</u>	<u>(1,131)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(10,209)	(8,662)	(18,871)
Fund Cash Balances, January 1	49,600	34,861	84,461
	<u>49,600</u>	<u>34,861</u>	<u>84,461</u>
Fund Cash Balances, December 31	<u>\$ 39,391</u>	<u>\$ 26,199</u>	<u>\$ 65,590</u>

Village of Proctorville, Lawrence County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
All Proprietary and Similar Fiduciary Fund Types
For the Year Ended December 31, 2007

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 106,659	\$ -	\$ 106,659
Total Operating Cash Receipts	<u>106,659</u>	<u>-</u>	<u>106,659</u>
Operating cash disbursements			
Personal services	37,325	-	37,325
Supplies and Materials	29,672	-	29,672
Other	2,319	-	2,319
Capital outlay	<u>7,675</u>	<u>-</u>	<u>7,675</u>
Total Operating Cash Disbursements	<u>76,991</u>	<u>-</u>	<u>76,991</u>
Operating Income	29,668	-	29,668
Non-Operating Cash Receipts/Disbursements			
Other Non-operating Receipts	-	81,708	-
Redemption of Principal	(13,681)	-	(13,681)
Interest and Fiscal Charges	(13,744)	-	(13,744)
Other Non-operating Disbursements	<u>-</u>	<u>(81,045)</u>	<u>-</u>
Total Non-Operating Receipts/(Disbursements)	<u>(27,425)</u>	<u>663</u>	<u>(27,425)</u>
Net Receipts Over Disbursements	2,243	663	2,243
Fund Cash Balances, January 1	<u>65,178</u>	<u>435</u>	<u>65,178</u>
Fund Cash Balances, December 31	<u>\$ 67,421</u>	<u>\$ 1,098</u>	<u>\$ 67,421</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, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Proctorville, Lawrence County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including maintenance of roads and police services.

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

B. Accounting Basis

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

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

C. Cash and Investments

The Village has one demand deposit account and certificate deposits valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Mayor's Court Computerization Fund – This fund receives fees assessed by the Mayor's Court to assist in purchasing computer related items for the Mayor's Court.

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

4. Enterprise Funds

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

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

3. Fiduciary Funds (Agency Fund)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the activities of the Village's Mayor's Court.

E. Budgetary Process

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

1. Appropriations

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The encumbrances outstanding at year end were canceled, and reappropriated in the subsequent year.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Accumulated Leave

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

2. Equity in Pooled Cash and Investments

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

	2008	2007
Demand deposits	\$136,631	\$113,011
Certificate deposits	<u>20,000</u>	<u>20,000</u>
Total deposits	<u>\$156,631</u>	<u>\$133,011</u>

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and December 31, 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$174,100	\$199,886	\$25,786
Special Revenue	49,800	51,398	1,598
Enterprise	<u>111,700</u>	<u>106,735</u>	<u>(4,965)</u>
Total	<u>\$335,600</u>	<u>\$358,019</u>	<u>\$22,419</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Budgeted Expenses	Actual Expenses	Variance
General	\$194,500	\$168,672	\$25,828
Special Revenue	66,500	54,780	11,720
Enterprise	<u>162,500</u>	<u>113,091</u>	<u>49,409</u>
Total	<u>\$423,500</u>	<u>\$336,543</u>	<u>\$86,957</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$158,956	\$160,192	\$1,236
Special Revenue	46,808	46,133	(675)
Enterprise	<u>116,001</u>	<u>106,659</u>	<u>(9,342)</u>
Total	<u>\$321,765</u>	<u>\$312,984</u>	<u>(\$8,781)</u>

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Expenditures			
Fund Type	Budgeted Expenses	Actual Expenses	Variance
General	\$214,100	\$170,401	\$43,699
Special Revenue	65,500	54,795	10,705
Enterprise	<u>158,500</u>	<u>104,416</u>	<u>54,084</u>
Total	<u>\$438,100</u>	<u>\$329,613</u>	<u>\$108,488</u>

4. Property Tax

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

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

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

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

5. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2008 and 2007, OPERS members contributed 10% and 9.5% respectively, of their gross salaries and the Village contributed an amount equaling 14% and 13.77%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 AND 2007
(Continued)**

6. Debt

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water Treatment Plant Mortgage Loan	<u>\$195,989</u>	6.45%
Total	<u>\$195,989</u>	

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

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

Year ending December 31:	<u>Water Plant Mortgage Loan</u>
2009	<u>\$27,167</u>
2010	<u>27,167</u>
2011	<u>174,868</u>
Total	<u>\$229,202</u>

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. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the Program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence.

This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,00 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available).

	2007	2006
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Retained earnings	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$63,446 at December 31, 2007 and \$66,256 at December 31, 2008. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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.

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

<u>Contributions to PEP</u>	
2006	\$8,946
2007	\$9,347
2008	\$8,598

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

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

8. Transfer

A transfer of \$5,727 from the State Highway Fund to the Street Construction, Maintenance and Repair Fund, this was to due to the state highway being re-routed around the Village. The transfer was approved by the Common Pleas Court therefore it is allowable.

9. Noncompliance

Contrary to Ohio law, the Village did not approve purchase orders prior to receiving the invoice. The Village also had appropriations exceeding what is available for expenses.

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Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of Village of Proctorville, Lawrence County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 30, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 2008-003 and 2008-004.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2008-003 and 2008-004 are also material weaknesses.

We noted certain internal control matters that we reported to the Village's management in a separate letter dated June 30, 2009.

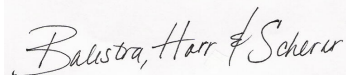
Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2008-001 and 2008-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 30, 2009.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

June 30, 2009

**VILLAGE OF PROCTORVILL
LAWRENCE COUNTY
DECEMBER 31, 2008 AND 2007
SCHEDULE OF FINDINGS**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Material Noncompliance

Ohio Rev. Code, Section 5705.41 (D) 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.

This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate – If the fiscal officer can certify that both at the time That the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment or the amount due. The Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 maybe paid by the fiscal officer without a resolution or ordinance 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 Village.

- B. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any on particular line item appropriation.
- C. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified in 63% for 2007 and 52% for 2008 of the Village’s expenditures tested, nor did the Village use the aforementioned exceptions. Failure to properly certify funds could result in overspending the Village funds.

Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds prior to making a purchase obligation. Failure to properly certify funds could result in overspending and negative fund balances.

The Village should certify purchases to which 5705.41 (D) applies. The most convenient method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client Response: This matter will be corrected for EY 09. I will provide additional training to staff on proper P.O. procedures.

**VILLAGE OF PROCTORVILL
LAWRENCE COUNTY
DECEMBER 31, 2008 AND 2007
SCHEDULE OF FINDINGS
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-002

Material Noncompliance

5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. In 2007 the appropriations exceeded the actual revenue by \$3,961, \$3,684 and \$4,394 in the General Fund, Street Construction and Maintenance Fund and Water Fund, respectively. The Village did not obtain a reduced amended appropriations measure at year end.

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

Clients Response: I now understand that I need to take additional steps at the end of the year. This will be corrected for 2009.

FINDING NUMBER 2008-003

Material Weakness

The Village Clerk prepared bank reconciliations on a monthly basis; however, the bank balances were not correctly reconciled to the cashbook balances. These factors resulted in the Village being out of balance with the bank at December 31, 2007 and December 31, 2008, incorrect balances in individual funds, and the Village's annual financial report for 2007 and 2008 being incorrect. This also resulted in additional time and cost to the Village for accounting services to reconcile the Village's books to the bank, to determine the correct individual fund balances, and to determine proper receipts and disbursements classifications to the financial statements.

The Village Clerk should reconcile bank balances to the fund balances each month and that the bank reconciliation be presented to Council for review.

Clients Response: Based on the Fund adjustments, I feel this matter will be corrected in the future. I anticipate these adjustments will solve these issues.

FINDING NUMBER 2008-004

Material Weakness

During the course of the audit, material and immaterial misstatements were identified related to the following:

- Property Tax Revenue,
- Intergovernmental Revenue,
- Expenses.

The Village should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Clients Response: I will ensure that these items are corrected by closer monitoring of the receipts line item recording. I have since correct this for 2009 for proper posting.

**VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY
DECEMBER 31, 2008 AND 2007**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	Ohio Revised Code Section 135.18 – required security for deposits	Yes	
2006-002	Ohio Revised Code Section 5705.41(D) – Did not properly certify funds for expenditure.	No	Reissued as 2008-001
2006-003	Material Weakness – Monthly Reconciliations	No	Reissued as 2008-003



Mary Taylor, CPA
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
AUGUST 11, 2009**