



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2018 and 2017
Fiscal Years Audited Under GAGAS: 2018 and 2017

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Village Council
Village of Proctorville
409 Elizabeth Street
Proctorville, Ohio 45669

We have reviewed the *Independent Auditor's Report* of the Village of Proctorville, Lawrence County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2017 through December 31, 2018. 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.

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

A handwritten signature in black ink that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

July 23, 2019

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VILLAGE OF PROCTORVILLE
LAWRENCE COUNTY
Basic Financial Statements
For the Fiscal Years Ended December 31, 2018 and 2017
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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 the Village of Proctorville, Lawrence County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

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 such 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 2 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, 2018 and 2017, and the respective changes in financial position 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Proctorville, Lawrence County as of December 31, 2018 and 2017, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019, 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.



BHM CPA Group, Inc.
Piketon, Ohio
June 27, 2019

**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, 2018**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Taxes	\$ 24,294	\$ 6,098	\$ -	\$ 30,392
Intergovernmental	27,087	36,926	233	64,246
Charges for Services	-	-	8,789	8,789
Fines, Licenses, and Permits	148,791	5,253	1,078	155,122
Miscellaneous	14,631	-	-	14,631
	<u>214,803</u>	<u>48,277</u>	<u>10,100</u>	<u>273,180</u>
Total Cash Receipts				
	<u>214,803</u>	<u>48,277</u>	<u>10,100</u>	<u>273,180</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	144,492	10,309	-	154,801
Transportation	-	34,533	-	34,533
General Government	61,725	-	-	61,725
Debt Service:				
Redemption of Principal	-	-	7,057	7,057
Interest and Fiscal Charges	-	-	2,947	2,947
	<u>206,217</u>	<u>44,842</u>	<u>10,004</u>	<u>261,063</u>
Total Cash Disbursements				
	<u>206,217</u>	<u>44,842</u>	<u>10,004</u>	<u>261,063</u>
Net Change in Fund Cash Balances	8,586	3,435	96	12,117
Fund Cash Balances, January 1	<u>5,292</u>	<u>14,596</u>	<u>1,130</u>	<u>21,018</u>
Fund Cash Balances, December 31				
Restricted	-	18,031	1,226	19,257
Unassigned	13,878	-	-	13,878
	<u>13,878</u>	<u>-</u>	<u>-</u>	<u>13,878</u>
Fund Cash Balances, December 31	<u>\$ 13,878</u>	<u>\$ 18,031</u>	<u>\$ 1,226</u>	<u>\$ 33,135</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 PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 147,792	\$ -	\$ 147,792
Total Operating Cash Receipts	147,792	-	147,792
Operating Cash Disbursements			
Personal services	67,133	-	67,133
Contractual services	3,100	-	3,100
Supplies and Materials	45,156	-	45,156
Other	2,059	-	2,059
Total Operating Cash Disbursements	117,448	-	117,448
<i>Operating Income (Loss)</i>	30,344	-	30,344
Non-Operating Receipts (Disbursements)			
Principal	(10,100)	-	(10,100)
Interest	(970)	-	(970)
Other Non-operating Receipts	-	180,017	180,017
Other Non-operating Disbursements	(8,883)	(177,170)	(186,053)
Total Non-Operating Receipts (Disbursements)	(19,953)	2,847	(17,106)
<i>Net Change in Fund Cash Balances</i>	10,391	2,847	13,238
Fund Cash Balances, January 1	35,077	4,992	40,069
Fund Cash Balances, December 31	<u>\$ 45,468</u>	<u>\$ 7,839</u>	<u>\$ 53,307</u>

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

Village of Proctorville, Ohio
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Proctorville (the Village), Lawrence County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. Note 6 to the financial statements provides additional information for this entity.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

Police Vehicle Fund This Fund receives a fixed amount per citation to provide for the future purchase of police vehicles.

Village of Proctorville, Ohio
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Mayor's Court Computer Fund This fund receives a fixed amount per citation for the operation of software & hardware for Mayor's Court and recordkeeping.

Debt Service Fund This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

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.

Basis of Accounting

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.

Budgetary Process

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

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Village of Proctorville, Ohio
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

Capital Assets

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

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.

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

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.

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.

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.

Village of Proctorville, Ohio
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$227,000	\$214,803	(\$12,197)
Special Revenue	43,850	48,277	4,427
Debt Service	10,800	10,100	(700)
Enterprise	141,600	147,792	6,192
Total	\$423,250	\$420,972	(\$2,278)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$217,900	\$206,217	\$11,683
Special Revenue	50,200	44,842	5,358
Debt Service	10,800	10,004	796
Enterprise	157,200	137,401	19,799
Total	\$436,100	\$398,464	\$37,636

Note 4 – Deposits and Investments

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

	2018
Demand deposits	\$86,442
Total deposits	\$86,442

Village of Proctorville, Ohio
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. 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 (if material).

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

Village of Proctorville, Ohio
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Thirteen employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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. 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, 2018.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Various Purpose Revenue Bonds	\$32,000	2%
Citizens Deposit Bank Mortgage	\$27,594	4%
Citizens Deposit Bank Line of Credit	25,642	6%*
Total	\$85,236	

*The interest rate on the line of credit was 4.75% per annum at the start of the agreement and is subject to change every day after January 17, 2017 within range of 10.75% to 4.75%. Interest is calculated by the lender based on the Wall Street Journal Prime Lender Rate.

Various Purpose Revenue Bonds

The Village issued \$200,000 in Various Purpose Revenue Bonds in 2011. The proceeds of the bonds were used to redeem prior Village debt related to water plant improvements and to acquire police vehicles. The Village collateralized these bonds with revenues for the Village.

Citizens Deposit Bank Mortgage

The Village took out a twenty-year mortgage through Citizens Deposit bank in 2014 to purchase the Village hall. The loan amount was \$42,000 with an interest rate of 4.49% effective for 2017. The loan is secured by the deed to the property.

Village of Proctorville, Ohio
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Citizens Deposit Bank Line of Credit

The Village borrowed \$30,000 on a line of credit from Citizens Deposit bank in 2017 to be used for budget equalization and to meet the obligations of the Village at the discretion of the Mayor and Clerk Treasurer, upon consultation of Council. No amortization schedule has been provided.

Leases

The Village leases buildings, vehicles and other equipment under noncancelable leases. The Village disbursed \$1.00 to pay lease costs for the year ended December 31, 2018.

Amortization

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

Year Ending December 31:	Various Purpose Revenue Bonds	Citizens Deposit Bank Mortgage
2019	\$11,120	\$2,883
2020	11,166	2,883
2021	11,101	2,883
2020		2,883
2023		2,884
2024-2028		14,417
2029-2031		7,989
Total	\$33,387	\$36,822

Note 10 – Related Party Transactions

The Village of Proctorville has had no related party transactions during the calendar year.

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**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, 2017**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Taxes	\$ 28,083	\$ 7,398	\$ -	\$ 35,481
Intergovernmental	20,123	32,681	28	52,832
Charges for Services	-	-	2,166	2,166
Fines, Licenses, and Permits	134,060	3,970	38	138,068
Miscellaneous	15,251	-	-	15,251
	<u>197,517</u>	<u>44,049</u>	<u>2,232</u>	<u>243,798</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	141,417	9,024	-	150,441
Transportation	-	36,517	-	36,517
General Government	52,267	-	-	52,267
Debt Service:				
Redemption of Principal	3,747	-	596	4,343
Interest and Fiscal Charges	2,208	-	506	2,714
	<u>199,639</u>	<u>45,541</u>	<u>1,102</u>	<u>246,282</u>
Total Cash Disbursements				
Excess of Receipts Over/(Under) Disbursements	(2,122)	(1,492)	1,130	(2,484)
Other Financing Receipts (Disbursements):				
Other Sources	30,000	-	-	30,000
	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Total Other Financing Receipts (Disbursements)				
Net Change in Fund Cash Balances	27,878	(1,492)	1,130	27,516
Fund Cash Balances, January 1 as restated (Note 12)	(22,586)	16,088	-	(6,498)
	<u>(22,586)</u>	<u>16,088</u>	<u>-</u>	<u>(6,498)</u>
Fund Cash Balances, December 31				
Restricted	-	14,596	1,130	15,726
Unassigned	5,292	-	-	5,292
	<u>5,292</u>	<u>-</u>	<u>-</u>	<u>5,292</u>
Fund Cash Balances, December 31	<u>\$ 5,292</u>	<u>\$ 14,596</u>	<u>\$ 1,130</u>	<u>\$ 21,018</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 PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>		
Operating Cash Receipts:				
Charges for Services	\$ 141,578	\$ -	\$ -	\$ 141,578
Total Operating Cash Receipts	141,578	-	-	141,578
Operating Cash Disbursements				
Personal services	65,261	-	-	65,261
Supplies and Materials	39,892	-	-	39,892
Other	1,691	-	-	1,691
Total Operating Cash Disbursements	106,844	-	-	106,844
<i>Operating Income (Loss)</i>	34,734	-	-	34,734
Non-Operating Receipts (Disbursements)				
Capital Outlay	(1,498)	-	-	(1,498)
Principal	(18,100)	-	-	(18,100)
Interest	(575)	-	-	(575)
Other Non-operating Receipts	-	153,082	-	153,082
Other Non-operating Disbursements	(12,266)	(151,512)	-	(163,778)
Total Non-Operating Receipts (Disbursements)	(32,439)	1,570	-	(30,869)
<i>Net Change in Fund Cash Balances</i>	2,295	1,570	-	3,865
Fund Cash Balances, January 1 as restated (Note 12)	32,782	3,422	-	36,204
Fund Cash Balances, December 31	<u>\$ 35,077</u>	<u>\$ 4,992</u>	<u>\$ -</u>	<u>\$ 40,069</u>

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

Village of Proctorville, Ohio
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Proctorville (the Village), Lawrence County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. Note 6 to the financial statements provides additional information for this entity.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

Police Vehicle Fund This Fund receives a fixed amount per citation to provide for the future purchase of police vehicles.

Village of Proctorville, Ohio
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Mayor's Court Computer Fund This fund receives a fixed amount per citation for the operation of software & hardware for Mayor's Court and recordkeeping.

Debt Service Fund This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

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.

Basis of Accounting

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.

Budgetary Process

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

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

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

Village of Proctorville, Ohio
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

Capital Assets

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

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.

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

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.

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.

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.

Village of Proctorville, Ohio
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$245,075	\$227,517	(\$17,558)
Special Revenue	48,580	44,049	(4,531)
Debt Service	2,445	2,232	(213)
Enterprise	135,620	141,578	5,958
Total	\$431,720	\$415,376	(\$16,344)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$220,400	\$199,639	\$20,761
Special Revenue	59,550	45,541	14,009
Debt Service	1,500	1,102	398
Enterprise	153,900	139,283	14,617
Total	\$435,350	\$385,565	\$49,785

Village of Proctorville, Ohio
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments

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

	<u>2017</u>
Demand deposits	<u>\$61,087</u>
Total deposits	<u><u>\$61,087</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. 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 (if material).

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. 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Village of Proctorville, Ohio
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government's share of these unpaid claims collectible in future years is approximately \$7,000.

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>2017 Contributions to PEP</u> \$10,334
--

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.

Village of Proctorville, Ohio
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Thirteen (13) employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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. 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, 2017.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Revenue Bonds	\$42,100	2%
Citizens Deposit Bank Mortgage	\$30,670	4%
Citizens Deposit Bank Line of Credit	<u>29,623</u>	6%*
Total	<u>\$102,393</u>	

*The interest rate on the line of credit was 4.75% per annum at the start of the agreement and is subject to change every day after January 17, 2017 within range of 10.75% to 4.75%. Interest is calculated by the lender based on the Wall Street Journal Prime Lender Rate.

Various Purpose Revenue Bonds

The Village issued \$200,000 in Various Purpose Revenue Bonds in 2011. The proceeds of the bonds were used to redeem prior Village debt related to water plant improvements and to acquire police vehicles. The Village collateralized these bonds with revenues for the Village.

Citizens Deposit Bank Mortgage

The Village took out a twenty-year mortgage through Citizens Deposit bank in 2014 to purchase the Village hall. The loan amount was \$42,000 with an interest rate of 4.49% effective for 2017. The loan is secured by the deed to the property.

Village of Proctorville, Ohio
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Citizens Deposit Bank Line of Credit

The Village borrowed \$30,000 on a line of credit from Citizens Deposit bank in 2017 to be used for budget equalization and to meet the obligations of the Village at the discretion of the Mayor and Clerk Treasurer, upon consultation of Council. No amortization schedule has been provided.

Leases

The Village leases buildings, vehicles and other equipment under noncancelable leases. The Village disbursed \$1.00 to pay lease costs for the year ended December 31, 2017.

Amortization

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

Year Ending December 31:	Various Purpose Revenue Bonds	Citizens Deposit Bank Mortgage
2018	\$11,070	\$2,883
2019	11,120	2,883
2020	11,166	2,883
2021	11,101	2,884
2022		2,884
2023-2027		14,417
2028-2032		13,750
Total	\$44,457	\$42,584

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Related Party Transactions

The Village of Proctorville has had no related party transactions during the calendar year.

Village of Proctorville, Ohio
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 12 – Prior Period Adjustment

The beginning fund balances for the General and Enterprise funds were restated as follows:

	General:	Enterprise:
Beginning Fund Balance:	\$(22,559)	\$ 32,816
<i>Deposit Correction (General):</i>	(27)	-
<i>Check Adjustment(Water Operating):</i>	-	(34)
Restated Beginning Fund Balance:	<u>\$(22,586)</u>	<u>\$ 32,782</u>

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**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, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 27, 2019 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 2018-001 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*.

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 report is not suitable for any other purpose.

Handwritten signature in black ink that reads "BHM CPA Group".

BHM CPA Group, Inc.
Piketon, Ohio
June 27, 2019

**Village of Ashville
Pickaway County
Schedule of Findings
December 31, 2018 and 2017**

1. SUMMARY OF AUDIT FINDINGS

FINDING NUMBER 2018-001

MATERIAL WEAKNESS – FINANCIAL REPORTING

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

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Village’s internal controls over financial reporting. Misstatements were identified in the following areas:

- Intergovernmental Receipts
- Other Financing Sources
- Other Financing Uses
- Supplies and Materials
- Motor Vehicles
- Interest
- Principal
- Capital Outlay
- Fund Balance

To ensure the Village’s financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Village Officer’s Handbook for guidance on the correct line item to post various receipts and expenditures of the Village.

Client Response: We did not receive a response from Officials to this finding.

**Village of Proctorville
Lawrence County
Schedule of Prior Audit Findings
December 31, 2018 and 2017**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2016-001	Non-compliance – Negative Fund Balance	Yes	
2016-002	Material Weakness – Financial Reporting	No	Reissued as finding 2018-001
2016-003	Material Weakness – Segregation of Duties	Yes	
2016-004	Non-Compliance – CPIM Training	Yes	

OHIO AUDITOR OF STATE
KEITH FABER



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 6, 2019**