



**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999-1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**VILLAGE OF WEST MANCHESTER  
TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999 .....	3
Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements, and Changes in Fund Cash Balances – All Enterprise Funds – For the Year Ended December 31, 1999 .....	4
Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1998 .....	5
Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements, and Changes in Fund Cash Balances – All Enterprise Funds – For the Year Ended December 31, 1998 .....	6
Notes to the Financial Statements .....	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings .....	15

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of West Manchester  
Preble County  
P. O. Box 168  
West Manchester, Ohio 45382

To the Village Council:

We have audited the accompanying financial statements of the Village of West Manchester, Preble County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999 and 1998, and its combined unclassified cash receipts and unclassified disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2000, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

August 30, 2000

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**VILLAGE OF WEST MANCHESTER  
 COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED  
 CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Total Cash Receipts	<u>\$80,763</u>	<u>\$99,403</u>	<u>\$180,166</u>
Total Disbursements	<u>58,774</u>	<u>86,049</u>	<u>144,823</u>
Total Receipts Over/(Under) Disbursements	21,989	13,354	35,343
Fund Cash Balances January 1	<u>44,539</u>	<u>66,739</u>	<u>111,278</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$66,528</u></b>	<b><u>\$80,093</u></b>	<b><u>\$146,621</u></b>
Reserves for Encumbrances, December 31	<u>\$3,100</u>	<u>\$2,582</u>	<u>\$5,682</u>

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

**VILLAGE OF WEST MANCHESTER  
COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS,  
UNCLASSIFIED CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL ENTERPRISE FUNDS -  
FOR THE YEAR ENDED DECEMBER 31, 1999**

Total Operating Cash Receipts	<u>\$100,210</u>
Total Operating Cash Disbursements	<u>97,608</u>
Operating Income/(Loss)	2,602
Fund Cash Balances, January 1	<u>55,544</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$58,146</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$1,792</u></u>

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



**VILLAGE OF WEST MANCHESTER  
 COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED  
 CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Total Cash Receipts	<u>\$94,714</u>	<u>\$81,165</u>	<u>\$175,879</u>
Total Disbursements	<u>63,179</u>	<u>50,359</u>	<u>113,538</u>
Total Receipts Over/(Under) Disbursements	31,535	30,806	62,341
Fund Cash Balances January 1	<u>13,004</u>	<u>35,933</u>	<u>48,937</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$44,539</u></b>	<b><u>\$66,739</u></b>	<b><u>\$111,278</u></b>
Reserves for Encumbrances, December 31	<u>\$2,400</u>	<u>\$0</u>	<u>\$2,400</u>

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

**VILLAGE OF WEST MANCHESTER  
COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS,  
UNCLASSIFIED CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

Total Operating Cash Receipts	<u>\$45,162</u>
Total Operating Cash Disbursements	<u>39,392</u>
Operating Cash Receipts over/(under) Operating Cash Disbursements	5,770
Fund Cash Balances, January 1	<u>49,774</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$55,544</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$419</u></u>

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

**VILLAGE OF WEST MANCHESTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of West Manchester, Preble County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities).

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. However, the receipts and disbursements presented in this report are unclassified. This presentation is a material departure from the presentation prescribed by the Auditor of State in Sections 117-5-01 through 117-5-18 of the Ohio Administrative Code. Those Sections of the Ohio Administrative Code require classifying receipts by source and disbursements by program. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Deposits**

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

**2. Special Revenue Fund**

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

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

*Fire Fund* - This fund receives money from contracts with local villages and township fire districts to provide for the protection of area citizens.

**VILLAGE OF WEST MANCHESTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Enterprise Funds**

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

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

*Utility Improvement Fund* - This fund received loan proceeds from the Ohio Water Development Authority to fund a utility plant expansion.

**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, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting; however, a review was performed to determine the amount of encumbrances at year-end which were not recorded.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**VILLAGE OF WEST MANCHESTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**2. EQUITY IN POOLED CASH AND DEPOSITS**

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 64,267	\$ 46,322
Certificates of deposit	<u>140,500</u>	<u>120,500</u>
Total deposits	<u>\$ 204,767</u>	<u>\$ 166,822</u>

**Deposits**

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village.

At December 31, 1999, \$62,000 of deposits were not insured or collateralized, contrary to Chapter 135, Ohio Revised Code.

At December 31, 1998, \$20,500 of deposits were not insured or collateralized, contrary to Chapter 135, Ohio Revised Code.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 89,000	\$ 80,763	\$ (8,237)
Special Revenue	144,590	99,403	(45,187)
Enterprise	<u>43,000</u>	<u>100,210</u>	<u>57,210</u>
Total	<u>\$ 276,590</u>	<u>\$ 280,376</u>	<u>\$ 3,786</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 98,150	\$ 58,774	\$ 39,376
Special Revenue	200,500	86,049	114,451
Enterprise	<u>75,625</u>	<u>97,608</u>	<u>(21,983)</u>
Total	<u>\$ 374,275</u>	<u>\$ 242,431</u>	<u>\$ 131,844</u>

**VILLAGE OF WEST MANCHESTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 67,000	\$ 94,714	\$ 27,714
Special Revenue	67,450	81,165	13,715
Enterprise	43,000	45,162	2,162
Total	\$ 177,450	\$ 221,041	\$ 43,591

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 81,375	\$ 63,179	\$ 18,196
Special Revenue	80,970	50,359	30,611
Enterprise	54,335	39,392	14,943
Total	\$ 216,680	\$ 152,930	\$ 63,750

**4. PROPERTY TAX**

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

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

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

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

**5. DEBT**

The Village began work on a wastewater treatment plant improvement project in 1999. The Village received a loan for \$135,000 from the Ohio Water Development Authority (OWDA) to finance the engineering services portion of this project in 1999. Payment of this loan is reimbursement-based, i.e. the Village receives an invoice, pays it, and then sends the invoice to OWDA to be reimbursed. As of December 31, 1999, the Village had received \$54,508.10 from this loan. The loan does not have to be repaid until the construction part of the project begins, which did not occur before December 31, 1999. Consequently, an amortization schedule for the loan has not yet been established.

**VILLAGE OF WEST MANCHESTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Village's full-time employee belongs to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plans. This plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

**8. SUBSEQUENT EVENTS**

The Village has incurred \$40,000 in new debt since December 31, 1999. The Village received a \$30,000 loan for a fire truck and a \$10,000 loan for acquisition of property.

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

Village of West Manchester  
Preble County  
P. O. Box 168  
West Manchester, Ohio 45382

To the Village Council:

We have audited the accompanying financial statements of the Village of West Manchester, Preble County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-30368-001, 1999-30368-002, 1999-30368-003, 1999-30368-004, and 1999-30368-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 30, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-30368-002, 1999-30368-003, 1999-30368-004, and 1999-30368-005.

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

might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Village in a separate letter dated August 30, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

August 30, 2000

**VILLAGE OF WEST MANCHESTER  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-30368-001**

**Material Noncompliance (Pledged Collateral)**

Ohio Revised Code, Section 135.18, specifies that the Clerk shall require public depositories to pledge to and deposit with the village, as a security for the repayment of all public moneys to be deposited in the public depository during the period of designation, eligible securities of aggregate market value equal to the period of designation, the excess of the amount of public moneys deposited over and above such portion or amount as is time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government.

The Village did not have any pledged or pooled collateral statements from the First State Bank of West Manchester. In 1998, there were four months in which the amount on deposit in the Village's checking account was more than the \$100,000 which is covered under FDIC. In addition, there were 13 months during the audit period in which the amount the Village had deposited in CDs was more than the \$100,000. As of December 31, 1999 and 1998, \$62,000 and \$20,500, respectively, of Village deposits were uninsured or uncollateralized. This condition could result in a loss of Village funds if the financial institution were to fail.

We recommend that the Village request and retain collateral statements from the bank on a quarterly basis to ensure that all deposits are adequately secured.

**FINDING NUMBER 1999-30368-002**

**Material Noncompliance/Reportable Condition (Uniform System of Accounting)**

Ohio Revised Code, Section 117.43, authorizes the Auditor of State to prescribe by rule, requirements for accounting and financial reporting for public offices other than state agencies. The Auditor of State has prescribed a uniform accounting system for villages which is set forth in Ohio Administrative Code Chapter 117-5. The Village did not comply in the following instances:

- A. Rule 117-5-09 requires that at the close of each month, all "Debit" and "Credit" columns of a Cash Journal shall be ruled off on the same line, totaled, and the totals for the month entered. The year-to-date totals shall be entered on the next line and the columns again ruled off. The difference between the month's debits and credits shall be added to or subtracted from the previous month's balance and the new balances entered in the proper column.

Also the total of all fund balances in the cash journal must reconcile with the cash balance; the total of all fund credits must reconcile with the total cash debit; and the total of all fund debits must reconcile with the cash credit. The cash balance plus outstanding warrants must agree with the depository balance plus undeposited funds in the hands of the clerk or in transit to the depository.

The Village did not total any of the required columns. The Village also did not reconcile the amounts in the Cash Journal to the cash balance. Totaling the required columns of all ledgers and journals and reconciling these amounts will help to ensure all transactions are entered correctly and no errors are made.

- B. Rule 117-5-10 requires that at the close of each month, the Village shall rule-off the column entitled "amount received" on the Receipts Ledger and enter the total for the month in ink. The total year-to-date shall be entered on the next line and the column again shall be ruled-off.

**VILLAGE OF WEST MANCHESTER  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

The Village did not total any of the required columns in the Receipts Ledger. Totaling the required columns of all ledgers and journals and reconciling these amounts will help to ensure all transactions are entered correctly and no errors are made.

- C. Rule 117-5-11 requires that each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriated balance producing a declining unencumbered balance in the Appropriations Ledger. Also, appropriate columns shall be totaled and reconciled monthly and yearly.

The Village did not record encumbrances in its Appropriations Ledger. Failure to record these encumbrances could lead the Village to expend more money than they have appropriated for a particular line item.

- D. Rule 117-5-13 requires that each executed purchase order shall provide the date, appropriation fund code classification, executed clerk's certificate and the other required information.

The Village's purchase orders did not contain the proper "clerk's certificate." Failure to have purchase orders containing this "certificate" could cause the Village to misappropriate funds.

To provide accurate and complete financial information for management to use in the decision making process and to aid in the accurate classification of receipts and disbursements on the Village's annual financial report, we recommend the Village maintain receipt and appropriation ledgers as prescribed by the Ohio Administrative Code. Receipts in the cash journal should agree to receipts in the receipts ledger and disbursements in the cash journal should agree to disbursements in the appropriations ledger. Encumbrances and disbursements should be posted to the appropriation ledger resulting in declining unencumbered balances. Receipts should be posted by fund and line item, with a running balance maintained. At year-end, the totals from these ledgers should be carried forward to the annual financial report.

**FINDING NUMBER 1999-30368-003**

**Material Noncompliance/Reportable Condition (Certification fo Purchase Orders)**

Ohio Revised Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

**VILLAGE OF WEST MANCHESTER  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

The Village did not properly certify the availability of funds for purchase commitments. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying the availability funds on properly approved purchase orders. We recommend the Village obtain approved purchase orders, which contain the Clerk's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

**FINDING NUMBER 1999-30368-004**

**Material Noncompliance/Reportable Condition (Receipts and Expenditures)**

Ohio Revised Code, Section 733.28, requires the village clerk to keep the books of the village, exhibit accurate statements of all moneys received and expended, and maintain records of all the property owned by the village and the income derived.

An accurate record was not maintained for all moneys received by the Village. The following errors were noted:

- A. Thirteen percent of all utility deposits were either not recorded in the Village's receipt ledger or recorded incorrectly in the Village's receipt ledger.
- B. The Village did not record all tax remittances in their cash journal and appropriation ledger. The Village had two remittances in 1999 that were not recorded in these ledgers.
- C. The Village received a loan from the Ohio Water Development Authority (OWDA) to help pay for the engineering services of a wastewater treatment plant project. Payment of this loan is reimbursement-based, i.e. the Village receives an invoice, pays it, and then sends the invoice to OWDA to be reimbursed. The Village had one receipt not recorded from the OWDA. This receipt was for an OWDA fee. The Village should have recorded this amount as an expenditure and a receipt on their books.
- D. Local taxes were recorded at net rather than gross.
- E. The seven and one-half percent of the gasoline tax distribution which should have been recorded in a State Highway Distribution Fund, was recorded in the Street, Maintenance, and Construction Fund.
- F. In 1999, the Village recorded one fire receipt in the Receipts Ledger twice. This error caused an overstatement of receipts for the Fire Fund. In addition to this fire receipt, numerous other items were posted more than once in the cash journal, receipt ledger, and appropriation ledger.
- G. The receipts ledger did not reconcile to the cash journal for 1998 or 1999 because items were posted to the cash journal, but not the receipts ledger and vice versa, items were posted to one fund in the cash journal and a different fund in the receipts ledger, and items were posted for one amount in the cash journal and a different amount in the receipts ledger.
- H. The appropriation ledger did not reconcile to the cash journal for 1998 or 1999 because items were posted to the cash journal, but not the appropriation ledger and vice versa, items were posted to one fund in the cash journal and a different fund in the appropriation ledger, and items were posted for one amount in the cash journal and a different amount in the appropriation ledger.

**VILLAGE OF WEST MANCHESTER  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

- I. Receipts and expenditures were booked out of sequence. Some revenues and expenditures were booked months after they were received in both 1998 and 1999.
  
- J. The annual financial report for 1998 and 1999 did not agree to the receipt and appropriations ledgers.

All of these conditions exhibit a lack of control over the recording and reporting of Village financial activity and did result in inaccurate and untimely accounting records.

We recommend the Village post all entries in the cash journal in chronological order, reflecting month-to-date and year-to-date totals. We also recommend the Village reconcile the cash journal to the bank, the receipt ledger, and the appropriation ledger on a monthly basis. Implementation of these procedures will add a substantial measure of control to the receipt and expenditure process, as well as provide assurance that the activity is properly handled and fairly presented on the Village's ledgers and financial reports. The Village has made all these adjustments to their books and the adjustments are reflected in the financial statements.

**FINDING NUMBER 1999-30368-005**

**Material Noncompliance/Reportable Condition (Reconciliations)**

The Village did not have any reconciliations between the bank balance and the Village's fund balances. A lack of reconciliations can cause fund balances to be overstated or understated. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well as, ensure that all recorded transactions have been deposited with the financial institution.

We recommend the Village properly reconcile the account on a monthly basis. The Village Clerk should perform a reconciliation between the bank balance and fund balances monthly. The reconciled checking account balance (bank balance less outstanding checks plus deposits in transit) plus each certificate of deposit balance should equal the total fund balance. Any variances should be immediately investigated and justified. We also recommend that a council member review and sign off on the reconciliation thereby indicating approval and ensuring timeliness of reconciliations.

**FINDING NUMBER 1999-30368-006**

**Finding for Recovery (Former Fire Chief Unauthorized Pay)**

Compensation received for duties performed in 1998 totaled \$187.50 more than that which the former fire chief was entitled. Ohio Revised Code, Section 731.13, states that the legislative authority of a village shall fix the compensation of all employees of the village. The fixed compensation for the position of the Fire Chief was \$750.00 per year (in 1998) plus \$5.00 per hour per run for fire runs attended.

Since the former fire chief retired in November 1998 and the Council did not approve payment of his salary for the entire year, he was not entitled to the entire \$750.00 salary which he received. The former Fire Chief was only entitled to the portion for which he actually provided services to the Village, which is equal to \$687.50 ( $\$750.00/12 \text{ months} = \$62.50 \times 11 \text{ months} = \$687.50$ ). In addition, according to the "1998 Run Pay" sheet provided by the Clerk, the former fire chief earned and was entitled to \$440.00 for fire runs he attended; however, he was paid a total of \$565.00 for fire runs. These two overpayments total \$187.50 ( $\$62.50 + \$125.00$ ).

**VILLAGE OF WEST MANCHESTER  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

In accordance with the forgoing facts, and pursuant to Ohio Revised Code, Section 117.28, a Finding for Recovery for public money that has been illegally expended is hereby issued against Charles Stump, Former Fire Chief, and Love Insurance Agency, Inc., his bonding company, jointly and severally, in the amount of one-hundred, eighty-seven dollars and fifty cents (\$187.50) and in favor of the Village of West Manchester.







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**VILLAGE OF WEST MANCHESTER**

**PREBLE 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  
SEPTEMBER 12, 2000**