



**Auditor of State  
Betty Montgomery**



VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Enterprise Funds - For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Enterprise Funds - For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	23

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Betty Montgomery**  
Auditor of State

December 15, 2004

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$15,488	\$4,780	\$0	\$0	\$20,268
Intergovernmental Receipts	37,893	26,121			64,014
Charges for Services	22,491	38,450		24,705	85,646
Fines, Licenses, and Permits		520			520
Earnings on Investments	7,081				7,081
Miscellaneous	1,621	3,747	53		5,421
Total Cash Receipts	<u>84,574</u>	<u>73,618</u>	<u>53</u>	<u>24,705</u>	<u>182,950</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	4,595	50,334			54,929
Leisure Time Activities	86				86
Community Environment	969				969
Basic Utility Services	21,650				21,650
Transportation	8,534	24,289			32,823
General Government	38,500				38,500
Debt Service:					
Principal Payments			120,000		120,000
Interest Payments			4,213		4,213
Capital Outlay				13,843	13,843
Total Cash Disbursements	<u>74,334</u>	<u>74,623</u>	<u>124,213</u>	<u>13,843</u>	<u>287,013</u>
Total Receipts Over/(Under) Disbursements	<u>10,240</u>	<u>(1,005)</u>	<u>(124,160)</u>	<u>10,862</u>	<u>(104,063)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Proceeds of Loans	1,500	4,500	120,000		126,000
Transfers-In			3,100		3,100
Advances-Out				(14,075)	(14,075)
Transfers-Out	(3,100)				(3,100)
Total Other Financing Receipts/(Disbursements)	<u>(1,600)</u>	<u>4,500</u>	<u>123,100</u>	<u>(14,075)</u>	<u>111,925</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	8,640	3,495	(1,060)	(3,213)	7,862
Fund Cash Balances, January 1	<u>108,860</u>	<u>65,929</u>	<u>(889)</u>	<u>(28,701)</u>	<u>145,199</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$117,500</u></b>	<b><u>\$69,424</u></b>	<b><u>(\$1,949)</u></b>	<b><u>(\$31,914)</u></b>	<b><u>\$153,061</u></b>
Reserves for Encumbrances, December 31	<u>\$3,037</u>	<u>\$1,480</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,517</u>

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

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$53,566</u>
Total Operating Cash Receipts	<u>53,566</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	26,436
Fringe Benefits	822
Contractual Services	13,449
Supplies and Materials	6,107
Capital Outlay	<u>5,418</u>
Total Operating Cash Disbursements	<u>52,232</u>
Operating Income	<u>1,334</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	<u>2,300</u>
Total Non-Operating Cash Receipts	<u>2,300</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>472</u>
Total Non-Operating Cash Disbursements	<u>472</u>
Excess of Receipts Over Disbursements Before Interfund Advances	3,162
Advances-In	<u>14,075</u>
Net Receipts Over Disbursements	17,237
Fund Cash Balances, January 1	<u>141,701</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$158,938</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$2,007</u></u>

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



**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$14,348	\$10,388	\$0	\$0	\$24,736
Intergovernmental Receipts	38,228	24,849		27,737	90,814
Charges for Services	22,290	27,450			49,740
Earnings on Investments	9,295				9,295
Miscellaneous	3,844	6,320			10,164
	<u>88,005</u>	<u>69,007</u>	<u>0</u>	<u>27,737</u>	<u>184,749</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	4,595	40,354			44,949
Community Environment	978				978
Basic Utility Services	23,384				23,384
Transportation	14,405	20,768			35,173
General Government	40,169				40,169
Debt Service:					
Principal Payments			120,000	7,550	127,550
Interest Payments			2,877	223	3,100
Capital Outlay			114	27,096	27,210
	<u>83,531</u>	<u>61,122</u>	<u>122,991</u>	<u>34,869</u>	<u>302,513</u>
Total Receipts Over/(Under) Disbursements	<u>4,474</u>	<u>7,885</u>	<u>(122,991)</u>	<u>(7,132)</u>	<u>(117,764)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Proceeds of Loans			120,000		120,000
Transfers-In			2,100		2,100
Transfers-Out	(2,100)	0	0	0	(2,100)
Advances-Out	(21,000)				(21,000)
	<u>(23,100)</u>	<u>0</u>	<u>122,100</u>	<u>0</u>	<u>99,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(18,626)	7,885	(891)	(7,132)	(18,764)
Fund Cash Balances, January 1	127,486	58,044	2	(21,569)	163,963
<b>Fund Cash Balances, December 31</b>	<b><u>\$108,860</u></b>	<b><u>\$65,929</u></b>	<b><u>(\$889)</u></b>	<b><u>(\$28,701)</u></b>	<b><u>\$145,199</u></b>
Reserves for Encumbrances, December 31	<u>\$875</u>	<u>\$1,978</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,853</u>

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

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

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

<b>Operating Cash Receipts:</b>	
Charges for Services	\$53,242
Miscellaneous	8,097
	<hr/>
Total Operating Cash Receipts	61,339
<b>Operating Cash Disbursements:</b>	
Personal Services	21,039
Fringe Benefits	897
Contractual Services	35,041
Supplies and Materials	7,058
Capital Outlay	336,303
Miscellaneous	248
	<hr/>
Total Operating Cash Disbursements	400,586
Operating Loss	<hr/> (339,247)
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental Receipts	80,256
Proceeds from Notes and Bonds	307,325
Other Non-Operating Receipts	2,000
	<hr/>
Total Non-Operating Cash Receipts	389,581
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	50,334
Transfers-In	1,300
Advances-In	21,000
Transfers-Out	<hr/> (1,300)
Net Receipts Over Disbursements	71,334
Fund Cash Balances, January 1	<hr/> 70,367
<b>Fund Cash Balances, December 31</b>	<b><hr/><hr/>\$141,701</b>
Reserve for Encumbrances, December 31	<hr/> <hr/> \$822

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

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of West Manchester, Preble County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and trash utilities and park operations. The Village contracts with the Preble County Sheriff's department and the Village of Lewisburg police department to provide security of persons and property.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Deposits**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and deposits 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 Funds**

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  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**3. Debt Service Fund**

This fund is used to accumulate resources for the payment of land acquisition indebtedness.

**4. Capital Project Funds**

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

*Ohio Public Works Commission Fund* - This fund receives grant proceeds. The proceeds are being used to construct a waste water treatment plant.

*Fire Truck Reserve Fund* – This fund receives loan proceeds for the purchase of a fire truck.

**5. Enterprise Funds**

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

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

*Utility Improvement Fund* - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

**E. Budgetary Process**

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

**1. Appropriations**

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

**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.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**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 encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

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

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$91,499	\$66,400
Certificates of deposit	220,500	220,500
Total deposits	<u>\$311,999</u>	<u>\$286,900</u>

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized by securities specifically pledged by the financial institution to the Village.

Village deposits were not adequately covered by collateral or FDIC during 2002 and during May, August and September of 2003. Uncollateralized deposits in 2002 ranged from a low of \$180,307 in June and a high of \$283,774 in November. Uncollateralized deposits in May 2003 were \$288,462; in August were \$275,813, and in September were \$222,308.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$125,000	\$86,074	(\$38,926)
Special Revenue	71,000	78,118	7,118
Debt Service	30,000	123,153	93,153
Capital Projects	100,000	24,705	(75,295)
Enterprise	155,000	55,866	(99,134)
Total	\$481,000	\$367,916	(\$113,084)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$184,050	\$80,471	\$103,579
Special Revenue	138,950	76,103	62,847
Debt Service	80,000	124,213	(44,213)
Capital Projects	60,050	13,843	46,207
Enterprise	155,150	54,711	100,439
Total	\$618,200	\$349,341	\$268,859

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$172,075	\$88,005	(\$84,070)
Special Revenue	80,000	69,007	(10,993)
Debt Service	0	122,100	122,100
Capital Projects	95,925	27,737	(68,188)
Enterprise	137,000	452,220	315,220
Total	\$485,000	\$759,069	\$274,069

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$182,050	\$86,506	\$95,544
Special Revenue	128,550	63,100	65,450
Debt Service	65,000	122,991	(57,991)
Capital Projects	60,050	34,869	25,181
Enterprise	150,750	402,708	(251,958)
Total	\$586,400	\$710,174	(\$123,774)

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio law:

- The Village had expenditures that exceeded appropriations in the Debt Service Fund and the Utility Deposit Fund during 2003 and the Truck Reserve Fund, Debt Service Fund, and the Water Fund during 2002;
- The Village had estimated resources that were in excess of actual receipts in the OPWC Fund for both 2003 and 2002;
- The Village had appropriations that exceeded the total estimated resources in the Fire Fund and Debt Service Fund during 2003 and the Fire Fund, Debt Service Fund, OPWC Fund, and the OWDA Fund during 2002.

**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**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$122,109	5.66%
Ohio Public Works Loan	262,989	0.00%
Land Acquisition Loan	60,000	7.00%
Total	<u>\$445,098</u>	

The Ohio Water Development Authority (OWDA) loan relates to a waste water system project study and design. The OWDA has provided \$122,109 in loans to the Village for this project. The loans will be repaid in one installment of \$143,986 which includes accrued interest of \$21,876 in 2004. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**5. DEBT (Continued)**

The land acquisition commercial bank loan was obtained in 2001 for the purchase of land for the sewer project. The loan is rolled over every six months and is reissued for \$60,000 at seven percent interest rate. The loan matures on May 19, 2004 in the amount of \$61,231.

The Ohio Public Works loan relates to the water treatment plant improvements. The interest-free loan is to be repaid in semiannual installments of \$6,921 which started in 2003 for a period of 20 years ending in 2022.

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

	<u>OWDA Loan</u>	<u>OPWC Loan</u>	<u>Land Acquisition Loan</u>
Year ending December 31:			
2004	\$143,986	\$13,842	\$61,231
2005	0	\$13,842	0
2006	0	\$13,842	0
2007	0	\$13,842	0
2008	0	\$13,842	0
2009-2022	0	193,788	0
Total	<u>\$143,986</u>	<u>\$262,996</u>	<u>\$61,231</u>

**7. RETIREMENT SYSTEMS**

Full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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



**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**9. SUBSEQUENT EVENTS**

On June 24, 2004, the Village entered into a 1.90% three year loan agreement with the Ohio Water Development Authority for \$1,367,000 for the wastewater system construction. This loan is part of the Rural Development Loan Advance Program. It is used for short-term interim financing until the Village receives other funding. The loan has a balloon pay-off with the entire amount due to the Ohio Water Development Authority at the time of permanent USDA Rural Development loan closing. To be eligible for this loan, the Village had to have a funding commitment letter from the USDA Rural Development program and plans or permits approved by the Ohio EPA.

**10. OUTSTANDING ADVANCES**

The Village had \$79,557 in outstanding advances from the General Fund to the OWDA Fund at December 31, 2003. At December 31, 2003, it is the Village's intention for the OWDA Fund to repay the General Fund.

**11. COMPLIANCE**

The Village had negative fund balances in the OPWC and Debt Service Funds in 2003 and the OPWC and Debt Service Funds in 2002.

**This page intentionally left blank.**



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT 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, 2003 and 2002, and have issued our report thereon dated December 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-009. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated December 15, 2004.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 through 2003-011.

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 considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses. 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 December 15, 2004.

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

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

**Betty Montgomery**  
Auditor of State

December 15, 2004

VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

**Noncompliance Citation/Reportable Condition**

**Ohio Rev. 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 Village 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 (\$3,000 after April 7, 2003), the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

The Village did not properly certify the availability of funds for purchase commitments for sixty-nine percent of expenditures tested and neither of the above two exceptions applied. Failure to properly certify the availability of funds can result in overspending available 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 of funds on properly approved purchase orders. We recommend the Village obtain approved purchase orders, including amounts, 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 2003-002

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 135.18, requires that the Treasurer of a political subdivision must require a depository to provide a security in an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

We were unable to determine whether the Village's deposits at the First State Bank of West Manchester were adequately covered by collateral at all times during 2002 and during May, August and September of 2003 since we could not obtain collateral statements from either the Village or Bank. Uncollateralized deposits in 2002 ranged from a low of \$180,307 in June and a high of \$283,774 in November. Uncollateralized deposits in May 2003 were \$288,462; in August were \$275,813, and in September were \$222,308.

Failure to adequately collateralize deposits can result in loss of funds. The Village should implement procedures to verify that depository balances are adequately secured by eligible collateral at all times.

**FINDING NUMBER 2003-003**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 5705.36, requires all subdivisions to request reduced amended certificates upon determination by the clerk that revenue to be collected will be less than the amount in the official certificate of estimated resources, and that expenditures or the incurrence of obligations will be greater than actual resources. The intent of this requirement is to require the clerk to obtain a reduced amended certificate when it appears that budgetary resources will fall short of earlier estimates, reducing the possibility that deficit spending will occur.

The actual receipts were below estimated receipts, and the actual disbursements plus encumbrances exceeded actual resources, for the Village, in the following funds:

<u>Date</u>	<u>Fund</u>	<u>Resources Available</u>	<u>Expenditures plus Outstanding Encumbrances</u>	<u>Variance</u>
12/31/02	OPWC	(\$ 24,820)	\$27,096	(\$62,631)
12/31/03	OPWC	\$104	\$13,842	(70,000)

We recommend that the Village monitor its actual receipts throughout the year, enter estimated receipts into the general ledger, and prepare amended official certificates of estimated resources as necessary.

**FINDING NUMBER 2003-004**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 5705.36, requires that on or about the first day of the fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget, or if adoption of a tax budget was waived, from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the preceding year.

The Village combined year end cash fund balances for several funds in the certificate for 2002 and 2003 and outstanding encumbrances were omitted for all funds. In the estimated resources, the Village combined the Police Fund with the General Fund and the State Highway Fund with the Street Fund in 2002 and 2003. Also, the Village did not estimate receipts for the Utility Deposit Fund in 2002 or 2003.

Failure to complete budgetary documents properly, to submit them to the county auditor, and to properly record its budgetary activity may result in inaccurate budgetary documents and lack of budgetary oversight. We recommend the Village complete all budgetary documents properly, submit budgetary documents to the county auditor for review, and properly post all activity.

**FINDING NUMBER 2003-005**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 5705.38, requires that on or about the first day of each year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. The appropriations measures should also be submitted to the county auditor.

The Village did not appropriate funds for the Utility Deposit Fund in 2002. The Village did not properly record their appropriation amendments to the appropriation ledgers. Amendments were added to the beginning January 1 balance instead of a separate entry on the date it was approved by Council.

Failure to complete budgetary documents properly, to submit them to the county auditor, and to properly record its budgetary activity may result in inaccurate budgetary documents and lack of budgetary oversight. We recommend the Village complete all budgetary documents properly, submit budgetary documents to the county auditor for review, and properly post all activity.

**FINDING NUMBER 2003-006**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 5705.39, states that total appropriation from each fund should not exceed the total estimated revenue available for expenditure there from, as certified by the budget commission. The appropriations exceeded estimated resources in the following funds.

<u>Date</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>
12/31/02	Fire	\$67,750	\$62,277	\$ 5,473
12/31/02	Debt Service	65,000	1	64,999
12/31/02	OPWC	60,050	37,811	22,239
12/31/02	OWDA	60,050	37,888	22,162
12/31/03	Fire	77,750	55,167	22,583
12/31/03	Debt Service	80,000	31,225	48,775

Failure to properly monitor estimated resources could result in overspending of monies and cause the Village to have negative fund balances. We recommend the Village prepare amendments to the Certificate of Estimated Resources as necessary. The Certificate of Estimated Resources should be evaluated each time an appropriation amendment is made to determine there are adequate financial resources to cover anticipated expenditures.

**FINDING NUMBER 2003-007**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 5705.41(B)\*, states no taxing authority shall make any expenditures of money unless it has been appropriated. Expenditures exceeded appropriations in the following funds for 2002 and 2003:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Truck Reserve Fund 2002	\$0	\$7,773	\$7,773
Debt Service Fund 2002	65,000	122,991	57,991
Water Fund 2002	90,700	401,299	310,599
Debt Service Fund 2003	80,000	124,213	44,213
Utility Deposit Fund 2003	0	473	473

Failure to properly monitor appropriations and amend appropriations could result in the illegal expenditure of monies. We recommend that the Village take steps to ensure appropriations are being properly monitored and recorded in the ledgers. No expenditures should be made unless there are sufficient appropriations to cover the expenditures.

**FINDING NUMBER 2003-008**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 5705.10, states that money that is paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The Village had negative fund balances in the OPWC and Debt Service funds during 2002 of \$51,916 and \$889 and the OPWC and Debt Service funds during 2003 of \$79,833 and \$1,949 respectively. Failure to properly monitor fund balances and expenditures can result in the illegal expenditure of money. We recommend that the Village properly monitor expenditures and available fund balances to prevent negative fund balances.

**FINDING NUMBER 2003-009**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village did not properly classify receipt and disbursement transactions. An accurate record was not maintained for all monies received by the Village. The following errors were noted:

- A. Revenue and disbursements paid directly by the Ohio Public Works Commission (in the form of loans and grants) were not posted to the ledgers and annual financial report.
- B. Intergovernmental revenues were posted to taxes or miscellaneous.
- C. Homestead and rollback were posted to ledgers as taxes instead of intergovernmental receipts.
- D. The Village did not recognize a receipt and expenditure for \$60,000 when the loan was renewed in 2002 and \$120,000 in 2003.
- E. The receipts ledger did not reconcile to the fund cash journal for 2002 or 2003 because items were posted to the fund cash journal but not the receipts ledger.



**FINDING NUMBER 2003-009  
(Continued)**

- F. The appropriation ledger did not reconcile to the cash journal for 2002 or 2003 because items were posted to the fund cash journal but not the appropriation ledger.
- G. The annual financial reports for 2002 and 2003 did not agree to the cash fund journals.

All of these conditions exhibit a lack of control over the recording and reporting of Village financial activity and did result in inaccurate 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 these adjustments to their books and the adjustments are reflected in the financial statements.

**FINDING NUMBER 2003-010**

**Reportable Condition**

The Village did not reconcile between the bank balance and the Village's fund balances at month end. Failure to reconcile on a regular basis could result in undetected errors between the book and the bank. 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 reconcile the account on a monthly basis at month end. The reconciled checking account balance at month end (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 their approval and ensuring timeliness of reconciliations. Monthly outstanding checklists should be maintained. Checks should be written in numerical order.

**FINDING NUMBER 2003-011**

**Reportable Condition\***

Volunteer firemen are paid on a per run basis. The Fire Chief provides a listing at year-end to the Clerk of the runs made and hours spent at each run. However, there is no supporting documentation for this listing and the hours spent at each run. During fiscal year 2003, the yearly fire payroll was \$6,270 which was 11 percent of total payroll during 2003. Fiscal year 2002 fire payroll totaled \$6,230 which was 11 percent of the total payroll for 2002. Without supporting documentation, the Village is not able to verify the amounts being paid to the firemen; consequently, the Village could be paying the firemen more money than they are entitled to receive. We recommend that supporting documentation and the hours spent at each run for each employee be kept for all fire runs.

\* This was also reported in the management letter of the 2001-2000 audit of the financial statements.

**This page intentionally left blank.**

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-30368-001	ORC Section 733.28 and OAC Section 117-2-02 (A) maintaining the books of the Village; annual reports	No	Partially corrected; reissued as Finding Number 2003-007.
2001-30368-002	ORC Section 5705.41 (D) certification of funds	No	Not corrected; reissued as Finding Number 2003-001.
2001-30368-003	ORC Section 5705.36 estimated receipts exceeding actual receipts	No	Not corrected; reissued as Finding Number 2003-003.
2001-30368-004	ORC Section 5705.39 appropriations exceeding estimated resources	No	Not corrected; reissued as Finding Number 2003-004.
2001-30368-005	ORC Section 5705.41(B) expenditures exceeding appropriations	No	Not corrected; reissued as Finding Number 2003-005.
2001-30368-006	ORC Section 5705.09(F) recording and establishment of fund for on-behalf grant monies	Yes	
2001-30368-007	ORC Section 5705.10 negative fund balances	No	Not corrected; reissued as Finding Number 2003-006.
2001-30368-008	Reconciliation between bank balances and Village's fund balances	No	Not corrected; reissued as Finding Number 2003-008.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
DECEMBER 30, 2004**