



**Auditor of State  
Betty Montgomery**



VILLAGE OF WEST ELKTON  
PREBLE COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of West Elkton  
Preble County  
P.O. Box 180  
West Elkton, Ohio 45070

To the Village Council:

We have audited the accounts, financial records, files and reports of the Village of West Elkton, Preble County, Ohio (the Village), as of and for the years ended December 31, 2004, and December 31, 2004, following Ohio Admin. Code § 117-4-02.

There are reportable findings and conditions as a result of performing these procedures. These findings and conditions are described in the Schedule of Findings on page 17.

This report is intended solely for the information and use of management, the 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 cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

July 13, 2006

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**VILLAGE OF WEST ELKTON  
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, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$5,304	\$5,553		\$10,857
Intergovernmental Receipts	24,187	13,950		38,137
Fines, Licenses, and Permits	13,353			13,353
Earnings on Investments	26	57		83
Miscellaneous	466	1,889		2,355
	<u>43,336</u>	<u>21,449</u>	<u>0</u>	<u>64,785</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	11,673	6,154		17,827
Leisure Time Activities	314			314
Transportation		4,340		4,340
General Government	27,898	1,247		29,145
Debt Service:				
Principal Payments	7,448	6,277		13,725
Interest Payments	407	1,580		1,987
Capital Outlay		50		50
	<u>47,740</u>	<u>19,648</u>	<u>0</u>	<u>67,388</u>
Total Receipts Over/(Under) Disbursements	<u>(4,404)</u>	<u>1,801</u>	<u>0</u>	<u>(2,603)</u>
<b>Other Financing Receipts:</b>				
Proceeds from Police Cruiser Loan	6,771			6,771
	<u>6,771</u>	<u>0</u>	<u>0</u>	<u>6,771</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	2,367	1,801	0	4,168
Fund Cash Balances, January 1	<u>(18,660)</u>	<u>25,434</u>	<u>1,842</u>	<u>8,616</u>
<b>Fund Cash Balances, December 31</b>	<b><u>(\$16,293)</u></b>	<b><u>\$27,235</u></b>	<b><u>\$1,842</u></b>	<b><u>\$12,784</u></b>

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

VILLAGE OF WEST ELKTON  
PREBLE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004

<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	<u>\$14,803</u>
Total Non-Operating Cash Receipts	<u>14,803</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>16,024</u>
Total Non-Operating Cash Disbursements	<u>16,024</u>
Net Receipts (Under) Disbursements	(1,221)
Fund Cash Balances, January 1	<u>2,023</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$802</u></u></b>

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

**VILLAGE OF WEST ELKTON  
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>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$4,182	\$5,225		\$9,407
Intergovernmental Receipts	23,820	10,516		34,336
Fines, Licenses, and Permits	14,805			14,805
Earnings on Investments	79	61		140
Miscellaneous	548			548
<b>Total Cash Receipts</b>	<u>43,434</u>	<u>15,802</u>	<u>0</u>	<u>59,236</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	17,188	4,336		21,524
Leisure Time Activities	2,017			2,017
Transportation		4,816		4,816
General Government	21,047	440		21,487
Debt Service:				
Principal Payments	69,897			69,897
Interest Payments	2,080			2,080
Capital Outlay	8,619	500		9,119
<b>Total Cash Disbursements</b>	<u>120,848</u>	<u>10,092</u>	<u>0</u>	<u>130,940</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(77,414)</u>	<u>5,710</u>	<u>0</u>	<u>(71,704)</u>
<b>Other Financing Receipts:</b>				
Proceeds from Police Cruiser Loan	7,302			7,302
Proceeds from Park/Water Treatment Plant Loans	62,770			62,770
<b>Total Other Financing Receipts</b>	<u>70,072</u>	<u>0</u>	<u>0</u>	<u>70,072</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(7,342)	5,710	0	(1,632)
Fund Cash Balances, January 1	(11,318)	19,724	1,842	10,248
<b>Fund Cash Balances, December 31</b>	<u><b>(\$18,660)</b></u>	<u><b>\$25,434</b></u>	<u><b>\$1,842</b></u>	<u><b>\$8,616</b></u>
Reserves for Encumbrances, December 31	<u>\$847</u>	<u>\$916</u>	<u>\$0</u>	<u>\$1,763</u>

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

VILLAGE OF WEST ELKTON  
PREBLE COUNTY

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

<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	<u>\$20,449</u>
Total Non-Operating Cash Receipts	<u>20,449</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>18,244</u>
Total Non-Operating Cash Disbursements	<u>18,244</u>
Net Receipts Over Disbursements	2,205
Fund Cash Balances, January 1	<u>(182)</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$2,023</u></u></b>

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

**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of West Elkton, Preble County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services and police services. The Village contracts with West Elkton-Gratis Township Joint Fire District to provide fire protection services and the Village of Gratis to provide emergency medical services.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash**

Village funds are pooled in a checking account with a local commercial bank.

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds 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.

Police Fund -This fund receives money from real estate and personal property taxes to provide for the protection of area citizens.

**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**3. Capital Project Fund**

This fund is used to account for receipts that are restricted to acquiring or constructing major capital projects. The Village had the following significant Capital Project Fund:

Rural Development Sewer Fund - This fund receives bank loan proceeds, Ohio Water Development Authority loan proceeds, and Ohio Public Works monies for the construction of a wastewater treatment plan. This fund had no activity during the audit period.

**4. Fiduciary Fund (Agency Fund)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Mayor's Court Fund – This fund is used to account for the collection and distribution of court fines and fees.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when 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. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**F. Property, Plant, and Equipment**

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

**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 demand deposits at December 31 was as follows:

	2004	2003
Demand deposits	\$13,586	\$10,639

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,722	\$50,107	\$26,385
Special Revenue	11,086	21,449	10,363
Total	\$34,808	\$71,556	\$36,748

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$36,155	\$47,740	(\$11,585)
Special Revenue	16,156	19,648	(3,492)
Total	\$52,311	\$67,388	(\$15,077)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$20,880	\$113,506	\$92,626
Special Revenue	5,183	15,802	10,619
Total	\$26,063	\$129,308	\$103,245

**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$23	\$121,695	(\$121,672)
Special Revenue	937	11,008	(10,071)
Total	\$960	\$132,703	(\$131,743)

Contrary to Ohio law, the Village did not adopt permanent appropriations for 2003. The 2004 appropriations were not adopted until April 13, 2004.

Contrary to Ohio law, in 2003 appropriations exceeded estimated resources as follows: Police Fund (\$10,277). For 2004 appropriations exceeded estimated resources as follows: General Fund (\$30,210), Fire Fund (\$766), and Police Fund (\$8,364).

Contrary to Ohio law, in 2003 expenditures exceeded appropriations as follows: General Fund (\$121,673), Street Fund (\$5,040), State Highway Fund (\$799), Parks and Recreation Fund (\$368), Fire Fund (\$883), Police Fund (\$941), and Ambulance Fund (\$2,040). In 2004 expenditures exceeded appropriations as follows: General Fund (\$11,585), Parks and Recreation Fund (\$8,380), Ambulance Fund (\$1,633).

Contrary to Ohio law, the following funds had negative fund balances as December 31, 2003: General Fund (\$18,660), Law Enforcement Trust (\$17), Fire Fund (\$368), Police Fund (\$8,673). The following funds had negative fund balances as December 31, 2004: General Fund (\$16,293), Parks and Recreation (\$61), Law Enforcement (\$17), and Police Fund (\$7,924).

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2004, was as follows:

	Principal	Interest Rate
Police Cruiser Loan	\$6,017	variable
Park/Water Treatment Plant Loan	21,459	variable
Total	\$27,476	

The police cruiser loan was obtained in September 2003 for \$7,302 to finance the purchase of a police cruiser. This loan was renewed in August 2004 for \$6,771. The loan has a variable interest rate of the prime rate plus 2%. Monthly payments of interest plus principal of \$188 are due. The loan matures on August 20, 2007. The loan is collateralized by the police cruiser.

The park loan was obtained on February 1, 1999, for the purpose of renovating the park in corroboration with a grant from NatureWorks. The water treatment plant loan was obtained on October 23, 1996, for the purpose of procuring land. Each of these loans was renewed on January 31, 2003 [park loan for \$22,416; water treatment plant loan for \$8,969]. The Village obtained a note consolidation loan on May 1, 2003, to combine and refinance these two loans in the total amount of \$31,385. The loan has a variable interest rate of the prime rate plus 2%. Monthly payments of interest plus principal of \$523 are due. The loan matures on May 15, 2008. The loan is unsecured.

Amortization of the above debt, including interest, follows:

	Police Cruiser Loan	Park/Water Treatment Plant Loan
Year ending December 31:		
2005	\$2,692	\$7,832
2006	2,529	7,377
2007	1,614	6,922
2008		2,822
Total	\$6,835	\$24,953

**6. RETIREMENT SYSTEMS**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	<u>(16,989,918)</u>	<u>(12,872,985)</u>
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>

**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	(544,771)	(792,061)
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

**8. COMPLIANCE**

Contrary to Ohio law:

- the Mayor did not deposit Mayor's Court collections with the Village by the first Monday of each month;
- the Mayor did not submit court collections in a timely manner to the appropriate agencies;
- the police cruiser loan obtained in September 2003 was not approved by Council in the minutes.

**9. FISCAL EMERGENCY**

The Village was unable to pay its debts and obligations at December 31, 2004. The Village also incurred operating losses and negative fund balances. A summary follows:

- The amount of the Village's current debt is \$27,476.
- The Village had negative fund balances at December 31, 2004, in the General Fund (\$16,293), Parks & Recreation Fund (\$61), Law Enforcement Trust Fund (\$17), and Police Fund (\$7,924).
- The Village had operating losses as follows for 2004: General Fund - \$4,404 and Parks & Recreation Fund - \$8,948. The Village had operating losses as follows for 2003: General Fund - \$77,414; Parks & Recreation Fund - \$300; and Fire Fund - \$162.
- The Auditor of State billed the Village for audit services provided for prior fiscal years and the current audit period ended December 31, 2004, and 2003. As of the date of this report, the Village has been billed a total of \$11,774 for the current audit and has yet to pay \$28,561 including current and prior periods.
- Pursuant to Ohio Revised Code, Section 118.03, the Village was declared to be in fiscal emergency, effective September 16, 2004. AOS Local Government Services was designated as the Village's fiscal advisor.
- As part of Management's Plan to emerge from fiscal emergency the Village Council as imposed an income tax, see Note 10.

VILLAGE OF WEST ELKTON  
PREBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)

**10. SUBSEQUENT EVENT**

Village Council imposed a 1% income tax effective January 1, 2006.

In May 2006, the prime rate of interest was 8 percent. The prime rate has been increasing since June of 2003 which will increase the Village's debt interest payments since their interest is variable and is based on the prime rate plus 2 percent.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

Village of West Elkton  
Preble County  
P.O. Box 180  
West Elkton, Ohio 45070

To the Village Council:

We have audited the financial statements of the Village of West Elkton, Preble County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 13, 2006.

**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 in order to express our opinion on the financial statements and not to opine 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 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 2004-008 through 2004-015.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable conditions 2004-009, 2004-012, 2004-013, and 2004-014 listed above to be material weaknesses. In a separate letter to the Village's management dated July 13, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters which are described in the accompanying schedule of findings as items 2004-001 through 2004-011. In a separate letter to the Village's management dated July 13, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

July 13, 2006

**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b>
---

**FINDING NUMBER 2004-001**

**Finding for Recovery**

The Village reimbursed William Henson in the amount of \$125 for evidence kits from the Village's General Fund. There was no receipt or invoice to support the purchase of evidence kits. The Village Clerk signed the check for this expenditure and this expenditure was not approved by Council.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public monies illegally expended may be hereby issued against William Crawford, Village Clerk, and William Henson in the amount of \$125, and in favor of the Village of West Elkton's General Fund, in the amount of \$125.

**FINDING NUMBER 2004-002**

**Finding for Recovery**

On March 15, 2004, Police Officer Michael Roberts, Jr. was paid for 26 hours worked from March 4, 2004 to March 7, 2004 (Check #7390) from the Village's General Fund. On November 19, 2004, Police Officer Michael Roberts, Jr. was paid for 26 hours worked from March 4, 2004 to March 7, 2004 (Check #7562). The gross amount of wages paid twice was \$260.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public monies illegally expended may be hereby issued against William Crawford, Village Clerk, Michael Roberts, Jr., and Ohio Farmers Insurance Company, Mr. Crawford's bonding company, jointly and severally, in the amount of \$260, and in favor of the Village of West Elkton's General Fund, in the amount of \$260.

**FINDING NUMBER 2004-003**

**Finding for Recovery**

Receipts and court dockets show that \$1,065 in 2003 and \$135 in 2004, for a total of \$1,200 was collected for Mayor's Court fines and fees. As evidenced by the bank statements, these fines and fees were not deposited into the Village Mayor's Court bank account. Ohio Rev. Code Section 9.39 states all "public officials are liable for all public money received or collected by them or by their subordinates under color of office."

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies collected but not accounted for may be hereby issued against Leah Crawford, Mayor's Court Clerk and the Western Surety Company, her bonding company, jointly and severally in the amount of \$1,200, and in favor of the Village of West Elkton's Mayor's Court, in the amount of \$1,200.

Ohio Rev. Code, Section 1905.21, states in part that the Mayor shall account for and dispose of all such fines, forfeitures, fees, and costs he collects, as provided in section 733.40 of the Revised Code. The Mayor did not submit court collections in a timely manner to the appropriate agencies. Failure to submit collections in a timely manner could result in possible payment of penalties. We recommend that the Mayor submit all court collections to the appropriate agencies in a timely manner.

**FINDING NUMBER 2004-004**

**Finding for Recovery**

The Village reimbursed the Mayor, Charles Pennington, for making a loan payment from his personal account on behalf of the Village on the cruiser to the bank in the amount of \$261.31 from the Village's General Fund. A confirmation received from the bank which held the loan did not show evidence that this payment was made. The Village Clerk signed these checks for payment.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public monies illegally expended may be hereby issued against William Crawford, Village Clerk, Charles Pennington, Mayor, and Western Surety, Mr. Pennington's bonding company, jointly and severally, in the amount of \$261.31, and in favor of the Village of West Elkton's General Fund, in the amount of \$261.31.

**FINDING NUMBER 2004-005**

**Finding for Recovery**

The Village paid \$1,700 for police cruiser engine repairs with no invoice to support the expenditure from the Village's General Fund. The Village Clerk signed the check for this expenditure and this expenditure was not approved by Council.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public monies illegally expended may be hereby issued against William Crawford, Village Clerk, and Ohio Farmers Insurance Company, his bonding company, jointly and severally, in the amount of \$1,700, and in favor of the Village of West Elkton's General Fund, in the amount of \$1,700.

**FINDING NUMBER 2004-006**

**Finding for Recovery**

The Village reimbursed the Mayor, Charles Pennington, in the amount of \$325 for paying a person out of his personal account for snow removal from the Village's General Fund. There was no evidence that Council approved the rate to be paid for the removal and the Auditor of State was not provided with a reimbursement sheet. The Village Clerk signed this check for payment and the Village Council approved this expenditure.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public monies illegally expended may be hereby issued against Charles Pennington, Mayor, William Crawford, Village Clerk, Corwin Talbert, Marietta Haulk, Brett Lewis, Mike Gayhart, Ernest Chasteen and Phil Wilt and Ohio Farmers Insurance Company, Mr. Crawford's bonding company, jointly and severally, in the amount of \$325, and in favor of the Village of West Elkton's General Fund, in the amount of \$325.

### FINDING NUMBER 2004-007

#### Finding for Adjustment

The Village did not properly record receipts in the computer system. Several transactions were incorrectly posted in the Street and State Highway Funds and tax settlement receipts were not properly recorded. We proposed the following fund balance adjustments for the audit period: decrease General Fund fund balance \$36.33; increase Street Fund fund balance \$1,428.07; decrease State Highway Fund fund balance \$1,165.07; increase Fire Fund fund balance \$8.03; decrease Police Fund fund balance \$229.10; and decrease the Ambulance Fund fund balance \$5.60. The accompanying financial statements have been adjusted to reflect these changes, but the Village has not made the audit adjustments in their computer system. We recommend that the Village adjust their fund balance to reflect the audited fund balances.

### FINDING NUMBER 2004-008

#### Reportable Condition/Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2004-008  
(Continued)**

Fifty-two percent (52%) of expenditures tested for 2003 and sixty-five percent (65%) of expenditures tested for 2004 were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. We could not determine if three percent (3%) of expenditures tested for 2003 and ten percent (10%) of expenditures tested for 2004 were properly certified because there was either no invoice or no invoice date. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Also, sixty-eight percent (68%) of purchase orders tested for 2003 were not signed by the Clerk-Treasurer.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Ohio Rev. Code, Section 5705.41(D), states that fiscal officers may prepare so-called "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The Village Council did not establish a dollar amount for blanket purchase orders via a resolution. Failure to establish a dollar amount for blanket purchase orders could result in overspending and misappropriation of funds. We recommend that Council establish a dollar amount for blanket purchase orders via resolution in the minutes.

**FINDING NUMBER 2004-009**

**Material Weakness/Noncompliance Citation**

**Mayor's Court**

Ohio Rev. Code, Section 733.40, provides that at the first legislative meeting of each month the mayor shall submit a full statement of all money received, from whom and for what purpose received, and when paid into the treasury. The Mayor did not submit the aforementioned monthly reports.

Ohio Rev. Code, Section 733.40, also requires that all fines, forfeitures, and costs in ordinance cases and all fees collected by the mayor, or which in any manner come into his hands, or which are due such mayor or a marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses which have been advanced out of the treasury of the municipal corporation, shall be paid by him into such treasury of the first Monday of each month. The Mayor did not disburse Mayor's Court collections to the Village by the first Monday of each month. For example, collections from December 2001, January through March 2002, and October through December 2004 had not yet been disbursed by January 31, 2005. Collections from September 2003 through May 2004 were not disbursed until July 2004.

**FINDING NUMBER 2004-009**  
**(Continued)**

Failure to submit the required monthly reports and timely distribute court fines/fees could result in misappropriation of funds. We recommend that the Mayor submit a monthly report to Council to be in compliance with Ohio Revised Code and to enhance accountability of mayor's court activity. These monthly reports should be noted in the Council minutes. The Mayor should also disburse all monies due the Village and the State of Ohio in a timely manner.

In addition to the failure to submit the required monthly reports and timely distribute court fines/fees, the following weaknesses were noted:

- The Village utilizes a rubber stamp of the Mayor's signature in signing the Mayor's Court docket. Unauthorized use of the rubber stamp could result in inaccurate information being documented in the docket book. We recommend that the Village discontinue the use of rubber signature stamps.
- The Mayor's Court Clerk completed monthly bank reconciliations of the Mayor's Court. However, the reconciliations were not reviewed and approved by someone other than the Mayor's Court Clerk. The failure to have supervisory review of the completed monthly bank reconciliations enhances the possibility that errors or irregularities could occur and not be detected in a timely manner.
- Also, the current cut-off for the bank statements is approximately the 10<sup>th</sup> of each month instead of month end. Therefore, cash book balances cannot be directly traced to the bank statements and additional calculations would be required by the Clerk to reconcile the Mayor's Court account each month.
- The Mayor's Court Clerk maintained a checkbook register and monthly reports of revenues received. However, a "cash book" was not maintained. All receipts received, checks written, and bank charges, etc., should be posted to the cash book. The cash book should maintain a running fund balance which can be reconciled to the monthly bank statements. Failure to maintain a complete and accurate cash book enhances the possibility that errors or irregularities could occur and not be detected in a timely manner. We recommend that the Mayor's Court Clerk maintain a cash book of all mayor's court activity.

The following conditions were identified during testing of Mayor's Court activity:

- \$1,200 in receipts was not deposited with the bank.
- A deposit of \$115 was made on November 4, 2004; however, no receipt was written.
- Not all voided or canceled checks were maintained.
- Receipts #9526 to #9531, dated July 17, 2003, were not deposited until September 9, 2003.
- Per the deposit slips, Receipt #5746 for \$120 was deposited twice; however, per the docket the fine for this case was \$120 and there was only one payment of \$120 noted in the docket.
- \$115 was deposited on July 15, 2004; however, the receipt (#7847) was written and posted to the docket for \$105.
- Receipt #9590 was written and deposited for \$98; however, the receipt was posted to the docket as \$95. Receipt #9536 was written and deposited for \$95; however, the receipt was posted to the docket as \$85. Receipt #9571 was written for \$115; however, \$130 was deposited.

**FINDING NUMBER 2004-009  
(Continued)**

- Receipt #230012, #230090, and #7891 were not posted to the docket.
- Receipt #230044 was posted to the docket as Receipt #230048; Receipt #230093 was posted to the docket as Receipt #230097.
- Receipt #9723 for \$65 was not posted to the monthly cash book receipt report.
- Not all tickets were issued in sequential order by date. Not all tickets were maintained. Ticket #6151 was not posted to the docket.
- The following disbursement checks were written to the Village of West Elkton: #1240, #1251, #1253, #1255, and #1267. However, the actual amount of the check did not match the amount documented on the monthly cash book receipt reports.
- Receipt #23001 was written and deposited for \$10; however, it was posted to the monthly cash book receipt report for \$6. Receipt #230082 was written and deposited for \$115; however, it was posted to the monthly cash book receipt report for \$65.
- The case numbers documented on the monthly cash book receipt reports were not always correct.

We recommend that the monthly bank reconciliations for the Mayor's Court be reviewed and approved by someone other than the Mayor's Court Clerk. This review and approval should be evidenced by initials of the reviewer and the date. We also recommend that the Clerk request the bank to provide statements as of month end.

We also recommend that receipts be written for all monies received. The amount of the receipt should match the amount deposited. All receipts should be properly posted to a cash book. Receipts posted to the cash book should be reviewed for accuracy. All receipts collected should be deposited timely. Failure to properly post revenue and make timely deposits can result in inaccurate records and cause the Mayor's Court to misappropriate funds. All tickets should be issued in sequential order by date. All tickets should be maintained and posted to the docket. The docket should be reviewed for completeness and accuracy. All voided and canceled checks should be maintained. The amounts of the actual disbursement checks should match the amounts documented in the cash book.

**FINDING NUMBER 2004-010**

**Reportable Condition/Noncompliance Citation**

**Budgetary**

Ohio Rev. Code, Section 5705.38, requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1. The Village did not adopt permanent appropriations for 2003. The 2004 appropriations were not adopted until April 13, 2004. Failure to adopt appropriations in a timely manner could result in overspending of funds and negative fund balances. We recommend that the Village adopt its annual appropriation resolutions in a timely manner.

**FINDING NUMBER 2004-010  
 (Continued)**

Ohio Rev. Code, Section 5705.39, requires that the total appropriation from each fund should not exceed the total estimated revenue. Appropriations exceeded estimated resources as follows:

<b>2003</b>			
	<b>Estimated Resources</b>	<b>Appropriations</b>	<b>Variance</b>
Police Fund	\$(10,277)	\$0	\$(10,277)
<b>2004</b>			
General Fund	5,098	35,308	(30,210)
Fire Fund	734	1,500	(766)
Police Fund	(5,364)	3,000	(8,364)

Failure to limit appropriations to total estimated revenue may result in the Village incurring obligations that exceed their available resources and negative fund balances. We recommend that the Village limit appropriations to the total estimated revenue per fund.

Ohio Rev. Code, Section 5705.41(B), requires that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations as follows:

<b>2003</b>			
	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
General Fund	\$23	\$121,696	\$(121,673)
Street Fund	463	5,503	(5,040)
State Highway Fund	0	799	(799)
Parks & Recreation Fund	0	368	(368)
Fire Fund	411	1,294	(883)
Police Fund	63	1,004	(941)
Ambulance Fund	0	2,040	(2,040)
<b>2004</b>			
General Fund	36,155	47,741	(11,585)
Parks & Recreation Fund	568	8,948	(8,380)
Ambulance Fund	1,500	3,133	(1,633)

Failure to limit expenditures to appropriations may result in overspending and negative fund balances. We recommend that the Village limit expenditures to the appropriated amount. The Clerk should deny any payments until Council has passed the necessary changes to the appropriation measure.

**Ohio Rev. Code, Section 5705.10**, requires that money paid into any fund shall be used only for the purpose for which such fund is established.

**FINDING NUMBER 2004-010  
 (Continued)**

The following funds had negative fund balances as December 31, 2003 and 2004:

<b>Year</b>	<b>Fund</b>	<b>Amount of Negative Fund Balance</b>
2003	General Fund	(\$18,660)
2003	Law Enforcement Trust Fund	(17)
2003	Fire Fund	(368)
2003	Police Fund	(8,673)
2004	General Fund	(16,293)
2004	Parks and Recreation	(61)
2004	Law Enforcement	(17)
2004	Police Fund	(7,924)

These deficit fund balances indicate that cash from other funds was used to pay the obligations of the negative funds. We recommend the Village adopt procedures to properly monitor fund balances and their budget in order to prevent negative fund balances.

Estimated receipts for 2003 and 2004 and appropriations for 2003 and 2004 were not properly posted to the Village's budgetary ledgers. Failure to properly post estimated receipts and appropriations may interfere with the Village's ability to monitor revenues and expenditures, and to limit their spending within the limits of their expected revenue. We recommend that the Village properly post estimated receipts and appropriations to the budgetary ledgers.

**FINDING NUMBER 2004-011**

**Reportable Condition/Noncompliance Citation**

When designing the public office's system of internal control and the specific control activities, management should consider verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records and ensuring the collection and compilation of the data needed for timely and accurate preparation of financial statements.

Debt payments were posted to incorrect line items. Note rollovers were not recorded on the Village's financial records. Failure to properly post debt activity may result in misleading financial statements. All debt payments should be properly posted to debt service – principal and debt service – interest. Note rollovers should be recognized as payments of debt principal and proceeds of debt for the gross amount of the rollover. We recommend that the Village properly post debt activity to the financial statements. The accompanying financial statements have been adjusted to properly report debt activity.

The Village did not make timely debt payments and therefore incurred penalties of \$500 during the audit period. Failure to make timely debt service payments may result in late penalties and compromise the Village's ability to obtain loans in the future. We recommend that all debt payments be made by the due date.

**FINDING NUMBER 2004-011  
(Continued)**

Ohio Rev. Code, Section 121.22, states that, in part, a resolution, rule, or formal action of any kind is invalid unless adopted in an open meeting of the public body. A resolution, rule, or formal action adopted in an open meeting that results from deliberations in a meeting not open to the public is invalid unless the deliberations were for a purpose specifically authorized in the above Revised Code Section and conducted at an executive session held in compliance with this section. In September 2003 the Village obtained a new loan of \$7,302 to purchase a police cruiser. The Council members all signed a letter approving this loan. However, the loan approval was not documented in the council minutes. The council minutes contain a record of the official actions of the Village. Failure to document approval of all loans in the minutes can result in an inaccurate record of official Village actions. We recommend that the Village document approval of all loans in the council minutes.

The Mayor made a debt payment for the Village and was reimbursed with a Village check. The Village should make debt payments with Village checks rather than reimbursing employees or officials for expenditures.

**FINDING NUMBER 2004-012**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The small size of the Village's staff does not allow for an adequate segregation of duties. The Clerk performs all the financial record keeping including receipting, depositing, check writing, check signing and posting. This system could result in diversion of funds and bookkeeping errors without detection in a timely manner.

The following weaknesses were noted:

- Most of the prior audit findings had not been addressed or corrected.
- Revenues and expenditures were posted to the wrong funds or accounts and were undetected by Council.
- Council minutes did not identify which bills were to be paid nor which financial statements were reviewed and approved in the minutes.
- Bills and payroll withholdings were often paid late. Penalties were assessed for the late payments.

The financial statements have been adjusted to reflect the proper postings of the incorrect receipts and disbursements.

We recommend the Village implement monitoring controls over financial processing and reporting, compliance with laws and regulations, and audit follow-up that will help support the objectives of Council and management in these areas. Monitoring controls should be performed by someone independent of those performing the tasks.

The following procedures, at minimum, should be implemented:

**FINDING NUMBER 2004-012**  
**(Continued)**

- Council should receive monthly financial reports including, but not limited to: bank reconciliations (with supporting documentation such as bank statements and outstanding checklists, deposits in transit), estimated versus actual receipts, and appropriations compared to actual expenditures. Council should receive these reports prior to the regular meetings so that members have an opportunity to review the information and ask informed questions. Council's approval of these reports should be documented in the minutes. The documents reviewed should be initialed and dated by the reviewer. In 2004 Council began signing the monthly reconciliations reports generated from the UAN system. They also signed a monthly list of bills paid. There was no actual list in the minutes and they were signed separately from the minutes. However, there is no evidence that other system reports are approved by Council.
- Upon receiving audit reports, the audit committee should take action to see that the findings are addressed and corrected, and these actions should be communicated to Council. Council should evaluate the adequacy of the actions taken.
- When Council approves the payments of bills at its regularly scheduled meetings, any late fees should be investigated. Any unusual items (such as manually generated checks) should be questioned and the response documented.

**FINDING NUMBER 2004-013**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed. Management should also ensure the collection and compilation of the data needed for the timely preparation of financial statements, as well as verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records. The Village does not have proper controls and procedures over bank reconciliations as evidenced by the following:

- Interest earned on the checking account was not posted timely. In 2003 none of the interest was posted until December 1, 2003. In 2004 the monthly interest was only posted at three different times (January 31st, April 5th, December 12th).
- Deposits were not being made timely. In 2003 the receipts were usually written well in advance of being deposited [e.g. Receipt #20-03 to #26-03 were written and posted to the system on April 30, 2003; the corresponding deposit was not made until May 27, 2003][e.g. Receipt #27-03, and #29-03 to #34-03 were written and posted to the system on April 30, 2003; the corresponding deposit was not made until July 17, 2003]. There were also occasions when the deposit was made well in advance of a receipt being written and posted to the UAN system (e.g. A deposit was made on May 15, 2003, for \$6,454.91. Receipt #65-03 and #66-03, which were included in this deposit, were not written and posted to the system until December 1, 2003). In 2004 the depositing of receipts improved. However, monies were still not always being deposited within 24 hours of receipt.
- Check #7117 and #7127 were listed on the check register as "skipped". The physical copies of the voided checks were not maintained. However, these checks did not clear any of the bank statements during the audit period.
- Check #7096 was listed as "skipped" on the check register. However, it was actually written to PERS for \$125.80 and cleared the bank on January 23, 2003. This check was included with the outstanding checks at December 31, 2002.

**FINDING NUMBER 2004-013  
(Continued)**

- All checks are hand written. For a majority of the checks, the date on the hand-written checks did not match the date posted to the UAN system.
- Check #7132, #7133, and #7134—the check numbers on the hand-written checks did not match the check numbers per the UAN check register.
- In 2003 the dollar amounts for four checks did not match the amounts posted to the UAN system. Adjustments were posted to the UAN system in December 2003 to correct the posting errors.
- Check #7183, written on April 24, 2003, for \$171.66 was deleted from the system and not re-entered until December 1, 2003.
- Per the UAN check register Check #7406 was payable to Richard Rossi. However, per inspection of the actual physical check, the check was written to Charles Pennington.
- Checks were not always used in sequential number order.
- Check #7362 was written on December 20, 2003, for \$813.25; however, it was posted to the UAN system as a “direct” charge on December 1, 2003.
- The Village did not maintain their canceled checks from December 2004.
- A large amount of monthly reconciling items were pervasive throughout the audit period. A significant amount of “Other Adjusting Factors” were carried on the monthly reconciliations for January through November 2003 and January through November 2004.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions and that all recorded transactions have been deposited with the financial institution.

Transactions should be posted in a timely manner and deposits should be made within twenty-four hours of receipt.

We recommend the Village properly reconcile their books on a monthly basis. Any variances should be immediately investigated, justified, and adjusted for if necessary. We recommend the Village post all transactions timely and accurately. We also recommend that a council member review and sign off on the reconciliation indicating approval and ensuring timeliness of reconciliations.

**FINDING NUMBER 2004-014**

**Material Weakness**

When designing the public office’s system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management’s policies, ensure that accounting records are properly designed, ensure adequate security of assets and records, and plan for adequate segregation of duties or compensating controls.

The Village lacks management oversight in the payroll operations of the Village. This lack of oversight is illustrated by the following:

- In 2003, the Mayor’s Court Clerk received a salary increase (from \$80/month to \$200/month). However, we were unable to find evidence of Council approval in the minutes.

**FINDING NUMBER 2004-014  
(Continued)**

- On March 15, 2004, Police Officer Michael Roberts, Jr. was paid for 26 hours worked from February 8, 2004 to March 7, 2004 (Check # 7390). On November 19, 2004, Police Officer Michael Roberts, Jr. was paid again for 26 hours worked from March 4, 2004 to March 7, 2004. The gross amount of the wages paid twice was \$260.
- The Clerk and Mayor's Court Clerk did not have any federal or state income tax withheld from their paychecks. Three of the four Village's part-time police officers had no PERS, FICA, or PFDPF withheld from their paychecks. The Village was unable to provide us with evidence of exemption forms being completed. The Police Chief had no state income tax, PERS, FICA, or PFDPF withheld from his paychecks.
- Withholdings from 2003 and 2004 were not remitted when due resulting in late penalties being assessed. Interest and penalties totaling \$144 and \$73 were paid in 2003 and 2004, respectively.
- There was no salary schedule supporting pay rates.

The lack of proper management oversight could result in material misstatement, overpayment, or unauthorized payment relating to payroll expenditures. To improve recordkeeping and accountability of payroll expenditures:

- The Village Council should approve all salary rates and salary increases in the minutes. An annual payroll resolution should be completed which would include all employees and their approved salary rates.
- All payroll checks should be properly calculated. All payroll checks should agree to an approved salary rate or time card.
- Payroll deductions should be withheld from all required employees. If employees are exempt from withholdings, exemption forms should be maintained in the employee's personnel file. All withholdings should be submitted in a timely manner.

**FINDING NUMBER 2004-015**

**Reportable Condition**

When designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies, ensure that accounting records are properly designed, ensure adequate security of assets and records, and plan for adequate segregation of duties or compensating controls.

The Village paid finance and late charges on many purchases (a total of \$1,074 for the audit period). Also, the Village forfeited purchase discounts totaling \$20. This results in additional monies being required for the Village to meet its normal and recurring obligations. All obligations should be paid by their due date. Failure to pay bills in a timely manner could result in penalties and vendors that will not do business with the Village. We recommend that the Village monitor its obligations to ensure that they are paid on a timely basis.

**FINDING NUMBER 2004-015**  
**(Continued)**

During the audit period the Village also made donations to the Tom Hayes College Fund and Vitas Hospice and contributions for funeral flower baskets and Memorial Day expenses [total of \$393 for 2003; total of \$235 for 2004]. The Village has limited resources from which to make expenditures. The Village was placed in fiscal emergency effective September 16, 2004. Council should implement procedures to closely monitor the Village's budget and eliminate any unconservative expenditures. If such purchases are deemed necessary by Council, we recommend that Council document their decision to consider donations and the purchase of flower baskets a proper public purpose by a duly-enacted ordinance or resolution.

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**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2002-001	Ohio Rev. Code, Section 117.28, finding for recovery for public money illegally expended	No	Not fully repaid - \$44 due as of December 31, 2004
2002-002	Ohio Rev. Code, Section 117.28, finding for recovery for public money illegally expended	Yes	
2002-003	Failure to make timely deposits	No	Not corrected – reissued as part of Finding 2004-009 and 2004-013
2002-004	Ohio Rev. Code, Section 5705.41(D), failure to properly certify funds	No	Not corrected – reissued as Finding 2004-008
2002-005	Ohio Rev. Code, Section 733.40, failure to submit monthly Mayor's Court reports or disburse monies in a timely manner	No	Not corrected – reissued as Finding 2004-009
	Failure to complete accurate monthly bank reconciliations of the Mayor's Court	No	Partially corrected – reissued as Finding 2004-009
	Failure to accurately maintain Mayor's Court financial records	No	Not corrected – reissued as Finding 2004-009
2002-006	Ohio Rev. Code, Section 5705.39, appropriations exceeded estimated resources	No	Not corrected – all reissued as Finding 2004-010
	Ohio Rev. Code, Section 5705.41(B), expenditures exceeded appropriations	No	
	Ohio Rev. Code, Section 5705.10, negative fund balances	No	
2002-007	Failure to properly post debt payments	No	Not corrected – reissued as Finding 2004-011

Village of West Elkton  
 Preble County  
 Schedule of Prior Audit Findings  
 Page 2

2002-008	Inadequate segregation of duties	No	Not corrected – reissued as Finding 2004-012
2002-009	Failure to prepare accurate cash reconciliations	No	Not corrected – reissued as Finding 2004-013
2002-010	Inadequate management oversight of payroll operations	No	Not corrected – reissued as Finding 2004-014



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**VILLAGE OF WEST ELKTON**

**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  
AUGUST 8, 2006**