

Village of West Mansfield

Logan County, Ohio

Regular Audit

For the Years Ended December 31, 2007 and 2006

Years Audited Under GAGAG: 2007 and 2006



Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: (740) 289-4131 Fax: (740) 289-3639



Mary Taylor, CPA

Auditor of State

Village Council
Village of West Mansfield
127 North Main Street
West Mansfield, Ohio 43358

We have reviewed the *Independent Auditor's Report* of the Village of West Mansfield, Logan County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 8, 2008

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Village of West Mansfield
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For the Years Ended December 31, 2007 and 2006

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BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Village of West Mansfield
127 North Main Street
West Mansfield, OH 43358

To the Village Council:

We have audited the accompanying financial statements of the Village of West Mansfield, Logan County, (the Village) as of and for the years ended December 31, 2007 and 2006. 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.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable, for the years then ended.

The accompanying financial statements present receipts and disbursements by fund and fund type only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

Also, in our opinion, except for the omission of receipt and disbursement classifications, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Village, as of December 31 2007 and 2006, and its unclassified cash receipts and unclassified disbursements for the years then ended on the accounting basis Note 1 describes.

The accompanying financial statements have been prepared assuming that the Village will continue as a going concern. As discussed in Note 8 to the financial statements, the Village had negative fund balances in the Street Construction, Maintenance and Repair, State Highway Improvement, Capital Street Repair, Water Operating, and Sewer Operating Funds of \$21,216, \$19,899, \$42,050, \$77,885, and \$29,075, respectively, for the year ended December 31, 2007. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.
November 21, 2008

Village of West Mansfield
*Combined Statement of Cash Receipts, Cash Disbursements and
 Changes in Fund Cash Balances*
All Funds
For the Year Ended December 31, 2007

	<u>Balance 1/1/2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/2007</u>
General	\$61,268	\$102,329	\$121,151	\$42,446
Special Revenue:				
Street Construction, Maintenance and Repair	1,203	50,485	72,904	(21,216)
State Highway Improvement	(12,141)	2,643	10,401	(19,899)
Parks & Recreation	1,250	0	0	1,250
OSR Streetlights	61,558	21,864	12,908	70,514
OSR Police	56,063	8,098	8,596	55,565
Total Special Revenue	<u>107,933</u>	<u>83,090</u>	<u>104,809</u>	<u>86,214</u>
Debt Service	756	0	0	756
Capital Projects:				
Capital Fire/Tower	99,382	20,245	61,596	58,031
Capital Street Repair	34,761	0	76,811	(42,050)
Capital 97 Water Plant	106,550	22,434	493	128,491
Total Capital Projects	<u>240,693</u>	<u>42,679</u>	<u>138,900</u>	<u>144,472</u>
Enterprise:				
Water Operating	7,989	61,070	146,944	(77,885)
Sewer Operating	27,391	32,306	88,772	(29,075)
Water Plant Renovation	83,858	58,679	92,438	50,099
Debt Service - Bond Debt	86,120	64,951	98,940	52,131
Debt Service - OWDA Sewer Loan	12,629	8,041	12,201	8,469
Debt Service - OWDA Water Loan	45,931	5,113	0	51,044
Enterprise Reserve	66,339	7,425	0	73,764
Enterprise Reserve Water	120	0	0	120
Enterprise Deposit	11,039	2,028	1,775	11,292
Total Enterprise	<u>341,416</u>	<u>239,613</u>	<u>441,070</u>	<u>139,959</u>
Total All Funds	<u>\$752,066</u>	<u>\$467,711</u>	<u>\$805,930</u>	<u>\$413,847</u>

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

Village of West Mansfield
*Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances*
All Funds
For the Year Ended December 31, 2006

	<u>Balance 1/1/2006</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/2006</u>
General	\$43,317	\$107,808	\$89,857	\$61,268
Special Revenue:				
Street Construction, Maintenance and Repair	7,080	51,859	57,736	1,203
State Highway Improvement	(6,656)	2,701	8,186	(12,141)
Parks & Recreation	1,250	0	0	1,250
OSR Streetlights	57,628	14,101	10,171	61,558
OSR Police	52,153	11,096	7,186	56,063
Total Special Revenue	<u>111,455</u>	<u>79,757</u>	<u>83,279</u>	<u>107,933</u>
Debt Service	756	0	0	756
Capital Projects:				
Capital Fire/Tower	81,309	18,444	371	99,382
Capital Street Repair	34,734	27	0	34,761
Capital 97 Water Plant	84,841	22,155	446	106,550
Total Capital Projects	<u>200,884</u>	<u>40,626</u>	<u>817</u>	<u>240,693</u>
Enterprise:				
Water Operating	42,801	88,401	123,213	7,989
Sewer Operating	10,854	54,244	37,707	27,391
Water Plant Renovation	48,756	841,279	806,177	83,858
Debt Service - Bond Debt	78,705	106,395	98,980	86,120
Debt Service - OWDA Sewer Loan	11,816	13,014	12,201	12,629
Debt Service - OWDA Water Loan	37,644	8,287	0	45,931
Enterprise Reserve	55,614	10,725	0	66,339
Enterprise Reserve Water	120	0	0	120
Enterprise Deposit	9,214	4,300	2,475	11,039
Total Enterprise	<u>295,524</u>	<u>1,126,645</u>	<u>1,080,753</u>	<u>341,416</u>
Total All Funds	<u>\$651,936</u>	<u>\$1,354,836</u>	<u>\$1,254,706</u>	<u>\$752,066</u>

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

Village of West Mansfield
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of West Mansfield, Logan County, Ohio (the “Village”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, street repair and maintenance, water and sewer utilities, and park operations. The Village contracts with the Logan County Sheriff’s 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 Investments

Purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund - The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Special Revenue 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:
 - OSR Streetlights Fund* – This fund receives property tax money for the expense of street lights.
 - Street Construction, Maintenance, and Repair Fund* – This fund receives motor vehicle license tax and gasoline tax money to maintain Village streets.
 - OSR Police* – This fund receives levy money to pay the contract with the Logan County Sherriff’s department.
3. Debt Service Fund - This fund was used to account for debt service activity several years ago but has been inactive for a number of years.

Village of West Mansfield
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

4. Capital Project Funds – These funds 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 Projects Funds:

Capital Street Repair Fund – This fund receives grant money from the State for the repair and maintenance of Village streets.

Capital 97 Water Plant Fund - This fund receives property tax money to pay for the maintenance and repair of the Village water system.

Capital Fire/Tower Fund – This fund receives property tax money to repair and maintain the Village's fire tower.

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 Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Debt Service-Bond Debt Fund – This fund collects a sewer surcharge to repay bond debt.

Water Plant Renovation Fund – This fund received OWDA loan proceeds and federal grant money for the renovation project of its water plant. This fund also collects user charges as additional funding for the project.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

Village of West Mansfield
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not properly encumber funds.

A summary of 2007 and 2006 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.

NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand deposits	\$383,847	\$722,066
Certificate of deposit	30,000	30,000
Total deposits	\$413,847	\$752,066

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

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

Fund Type	<u>2007 Budgeted vs. Actual Receipts</u>		Variance
	Budgeted Receipts	Actual Receipts	
General	\$115,723	\$102,329	(\$13,394)
Special Revenue	67,500	83,090	15,590
Capital Projects	54,500	42,679	(11,821)
Enterprise	344,741	239,613	(105,128)
Total	\$582,464	\$467,711	(\$114,753)

Fund Type	<u>2007 Budgeted vs. Actual Budgetary Basis Expenditures</u>		Variance
	Appropriation Authority	Budgetary Expenditures	
General	\$143,659	\$121,151	\$22,508
Special Revenue	210,368	104,809	105,559
Capital Projects	316,594	138,900	177,694
Enterprise	669,206	441,070	228,136
Total	\$1,339,827	\$805,930	\$533,897

Village of West Mansfield
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 3 – BUDGETARY ACTIVITY (CONTINUED)

Fund Type	2006 Budgeted vs. Actual Receipts		Variance
	Budgeted Receipts	Actual Receipts	
General	\$115,723	\$107,808	(\$7,915)
Special Revenue	67,500	79,757	12,257
Capital Projects	50,500	40,626	(9,874)
Enterprise	265,107	1,126,645	861,538
Total	\$498,830	\$1,354,836	\$856,006

Fund Type	2006 Budgeted vs. Actual Budgetary Basis Expenditures		Variance
	Appropriation Authority	Budgetary Expenditures	
General	\$133,479	\$89,857	\$43,622
Special Revenue	182,323	83,279	99,044
Capital Projects	262,094	817	261,277
Enterprise	509,937	1,080,753	(570,816)
Total	\$1,087,833	\$1,254,706	(\$166,873)

NOTE 4 – PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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. 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.

NOTE 5 – DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
OWDA Loan (1997 Sanitary Sewer)	\$96,920	5.86%
OWDA Loan (2005 Water Renovation)	1,545,772	2.00%
Sanitary Sewer System Mortgage Revenue Bonds	1,542,800	5.00%
Total	\$3,185,492	

The \$1,529,000 Series 1997A and the \$140,000 1997B Sanitary Sewer System Revenue Mortgage Bonds were issued for the construction of a sewer system that was mandated by the Ohio Environmental Protection Agency. These bonds were purchased by the United States Department of Agriculture/Rural Development. The bonds will be retired with user service charges. Interest is paid annually and all bonds will have matured by 2037. The Village is required to contribute \$825 per month to a reserve fund until the fund balance is \$99,000. At December 31, 2007, the balance in this fund was \$73,764.

Village of West Mansfield
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 5 – DEBT (CONTINUED)

The 1997 Ohio Water Development Authority (OWDA) loan for the sanitary sewer relates to the construction of a sewer system that was mandated by the Ohio Environmental Protection Agency. In 1997 the OWDA approved up to \$150,000 in loans to the Village for this project. At December 31, 2007, a total of \$141,548 has been received on this loan. A payment schedule has been determined by the loan amount received to date. Interest is based on the stated interest rate and principal amount outstanding. The loan will be retired with user service charges.

The 2005 Ohio Water Development Authority (OWDA) loan for the water system relates to the renovation of the water treatment plant. In 2005 the OWDA approved up to \$1,757,033 in loans to the Village for this project. At December 31, 2007, a total of \$1,610,962 has been received on this loan. A payment schedule has been determined by the loan amount received to date. Interest is based on the stated interest rate and principal amount outstanding. The loan will be retired with user service charges.

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

	Sanitary Sewer System Mortgage Revenue Bonds	OWDA Loan 1997 Sanitary Sewer
Year Ended December 31,		
2008	\$98,850	\$12,201
2009	99,010	12,201
2010	99,005	12,201
2011	98,940	12,201
2012	98,815	12,201
2013-2017	494,885	61,005
2018-2022	494,665	12,201
2023-2027	494,740	0
2028-2032	494,775	0
2033-2037	494,635	0
Total	\$2,968,320	\$134,211

The OWDA Loan 2005 Water Renovation had not yet been fully drawn as of December 31, 2007. Therefore, an amortization schedule is not yet available.

NOTE 6 – RETIREMENT SYSTEMS

The Village's 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. The Village's Council Members contribute to the Social Security System.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, PERS members contributed 9.5% and 9.0% of their wages, respectively. The Village contributed amounts equal to 13.85% and 13.77% of participants' gross salaries through December 31, 2007 and December 31, 2006, respectively. The Village has paid all contributions required through December 31, 2007.

Village of West Mansfield
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 7 – RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

There were no significant changes in commercial insurance from the prior year and the amount of claims did not exceed the amount of coverage in the prior three years.

NOTE 8 – GOING CONCERN

The financial statements for the year ended December 31, 2007 reflect a going concern issue for the Village. The Village had negative fund balances in the Street Construction, Maintenance and Repair, State Highway Improvement, Capital Street Repair, Water Operating, and Sewer Operating Funds of \$21,216, \$19,899, \$42,050, \$77,885, and \$29,075, respectively, as of December 31, 2007.

It appears that the Village's ability to continue as a going concern may be jeopardized due to the above mentioned factors.

The Village Council shall oversee the accounting and reporting and general services in the following areas.

- Preparation of tax budgets, appropriations and amended certificates;
- Preparation of a financial recovery plan including analyzing revenue sources to see if they are adequate to support anticipated expenditures;
- Preparation of the Five-year forecast;
- Preparation of the year-end financial reports;
- Preparation of monthly reconciliations and maintaining of accounting ledgers;
- Preparation of cash basis financial reports for the years under audit;
- Monitor Village to ensure compliance with established procedures and spending levels.

The Village has also contracted with UAN to use their accounting system.

NOTE 9 – COMPLIANCE AND ACCOUNTABILITY

The Village had negative fund balances which is contrary to the Ohio Revised Code.

The Village had expenditures in excess of appropriations which is contrary to the Ohio Revised Code.

The Village had improperly maintained accounting records which is contrary to the Ohio Revised Code.

The Village failed to prepare and submit Federal Tax Forms 941 which is contrary to the Internal Revenue Code.

The Village failed to file its annual financial reports and publish notice that such reports were available for public inspection which is contrary to the Ohio Revised Code.

The Village failed to deposit funds within one business day of receipt which is contrary to the Ohio Revised Code.

The Village failed to properly encumber funds which is contrary to the Ohio Revised Code.

The Village failed to amend its certificates of estimated resources and appropriations resulting in unfavorable deficiencies which is contrary to the Ohio Revised Code.

The Village had appropriations in excess of estimated resources which is contrary to the Ohio Revised Code.

BALESTRA, HARR & SCHERER CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Village of West Mansfield
127 North Main Street
West Mansfield, Ohio 43358

We have audited the accompanying financial statements of the Village of West Mansfield (the Village), Logan County, as of and for the years ended December 31, 2007 and 2006 and have issued our report thereon dated November 21, 2008, wherein we noted the Village prepared its financial statements using the accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted on the United States of America. We qualified our report on the financial statements because the Village did not present receipts and disbursements in accordance with Ohio Administrative Code 117-2-01 (A) which requires the Village to classify receipts and disbursements transactions. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-01 and 2007-03.

A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-01 and 2007-03 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated November 21, 2008.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-02 and 2007-04 through 2007-11.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated November 21, 2008.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

November 21, 2008

Village of West Mansfield
Schedule of Findings
For the Years Ended December 31, 2007 and 2006

Finding 2007-01

Material Weakness – Controls over Accounting and Reporting

The Village has experienced several accounting and reporting issues as evidenced by the number of report findings, including the delay in the completion of the 2007 and 2006 financial statements.

Financial information is vital to an organization's management in its continual effort to effectively make decisions to guide the organization. It is also important for management to receive timely feedback on the reliability of financial information summarized in the financial statements, notes to the financial statements, and schedules used to make these management decisions.

There was an obvious lack of controls over the financial accounting process, which need to be addressed promptly.

Failure to implement controls over the financial accounting process has resulted in the Village's records being inaccurate and incomplete. Furthermore, the Village has been delinquent in filing tax returns.

The Village should take the following steps in addressing these issues:

- Designate the Fiscal Officer and Council as having the primary responsibility of ensuring that all audit findings are properly addressed in a timely manner.
- Organize and hold monthly meetings to discuss and develop an action plan to address all audit findings, monitor progress on the action plan, and review specific action taken for each of the findings.
- Have the Fiscal Officer, in conjunction with the Council, develop a monthly, quarterly, and annual check sheet to document key actions performed which are an integral part of the financial accounting and reporting process. The check sheet(s) should include such items as monthly bank reconciliations, monthly financial reports, including a monthly review of budget and actual information and determination of whether budgetary documents require amendments, submission of various tax remittances for federal, state, and local governments, filing of appropriate forms for federal, state, and local governments, reconciliation of tax remittances with the appropriate tax forms, and any other key items. The check sheet should be prepared by the Fiscal Officer and approved by the Council.
- The Fiscal Officer should go over the check sheet at the monthly meetings, and it should be approved by the Council.

Client Response:

We plan on complying with the above, as soon as we get figures to work with.

Finding Number 2007-02

Material Noncompliance – Negative Fund Balance

Ohio Revised 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. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. Material instances of a negative fund balance was noted at the end of year in 2007 in the Street Construction, Maintenance and Repair Fund (\$21,216), State Highway Improvement Fund (\$19,899), Capital Street Repair Fund (\$42,050), Water Operating Fund (\$77,885), and Sewer Operating Fund (\$29,075). The Village also had a material negative fund balance in the State Highway Improvement Fund (\$12,141) at December 31, 2006. The Village should implement procedures to monitor fund balances on a regular basis and consider advancing monies from the General Fund to the funds which are anticipated to have a negative balance.

Client Response:

By complying with Ohio Revised Code 5705.10.

Village of West Mansfield
Schedule of Findings
For the Years Ended December 31, 2007 and 2006

Finding Number 2007-03

Material Weakness – Monitoring Control System

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational, legal compliance, and financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions, investigate underlying causes, and take corrective action).

Monitoring controls should assist management in detecting material misstatements in the financial statements or other information presented. Such controls may include, but are not limited to, the following reviews by the Council:

- Monthly review of budget and actual activity including required submission of budgetary reports.
- Monthly review of unusual or significant items on the bank-to-book reconciliation, such as long-term outstanding checks or deposits.
- Planning for adequate segregation of duties or compensating controls.
- Ensuring the accounting records are properly designed.

The Village has not implemented an effective monitoring control system which would assist management in detecting material misstatements in financial statements or other information.

Failure to properly monitor the Village's financial activities has resulted in the Village's records being inaccurate and incomplete. Monthly bank reconciliations were not timely performed or reviewed by Council during the audit period. Furthermore, the Village has been delinquent in filing tax returns to the appropriate agencies. Failure to develop and implement a monitoring control system could also result in misappropriation of the Village's assets.

The Village should develop and implement a monitoring control system to prevent material misstatements or misappropriation of assets from occurring.

Client Response:

This citation should be corrected with the implementation of the UAN system and the new fiscal officer.

Finding Number 2007-04

Material Noncompliance – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had instances where expenditures plus outstanding encumbrances were in excess of appropriations in several funds at year end for 2007 and 2006. Expenditures in excess of appropriations could result in negative fund balances and overspending. The Village should implement procedures to ensure that annual appropriations are passed timely, appropriations and expenditures are monitored, and revisions are made as necessary.

Client Response:

The current management is taking action to properly appropriate all accounts to cover actual expenditures.

Village of West Mansfield
Schedule of Findings
For the Years Ended December 31, 2007 and 2006

Finding Number 2007-05

Material Noncompliance – Inaccurate and Improperly Maintained Accounting Records

Ohio Revised Code Section 733.28 provides that the Village Fiscal Officer shall keep the books of the Village, exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and income derived. In addition, Ohio Administrative Code Section 117-2-02(A) states that all public offices are required to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance related legal and contractual requirements, and prepare financial statements required by rule 117-2-03 of the administrative code.

The Village Fiscal Officer did not maintain an accurate record of all monies received. The accounting records of the Village were incomplete and inaccurate.

Failure to provide accurate and complete financial information limits management's resources for decision making and can provide a false perception of the Village's financial position. Failure to accurately prepare and reconcile the accounting records reduces the accountability over Village funds, reduces the Council's ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the Village's financial statements will be misstated. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well as to ensure that all recorded transactions have been deposited with its financial institution. Failure to timely and accurately remit payroll withholdings to the appropriate agencies can cause the Village to be liable for penalties and interest. Failure to properly amend budgetary documents can result in overspending funds and negative cash balances.

The Village should implement procedures to ensure that receipts and disbursements are accurately and completely stated, and to ensure that the accounting records of the Village are accurate and complete in order to report financial activity as required by the Ohio Administrative Code. The Village should also implement procedures to ensure that payroll withholdings withheld are timely and accurately remitted to the appropriate agencies.

Client Response

As of the first of 2008, I have posted all in coming monies.

Finding Number 2007-06

Material Noncompliance – Payroll Taxes and Filings

Federal income tax regulations require the Village to prepare the IRS Tax Form 941 on a quarterly basis. The Village was delinquent in filing IRS Tax Forms 941 making required remittances for 2007 and 2006.

Failure to file the required forms with the appropriate taxing agencies resulted in non-compliance with federal income tax requirements, and has resulted in unnecessary interest and penalties for which the Village is liable.

The Village should develop and implement procedures to ensure that required remittances are made and all required tax deposits are made and the appropriate tax forms are prepared accurately and completely, and are submitted in accordance with applicable requirements. The Village should contact all taxing authorities (federal, state and local), and obtain documentation to determine what forms have been submitted, those that remain unsubmitted, whether balances are still owed to these agencies, and to settle these liabilities to ensure accounts are up to date. The Village should also contact the Internal Revenue Service (IRS) taxpayer advocate services to determine whether the IRS can waive any penalties and interest incurred by the Village.

Client Response:

Since the first of 2008, all federal tax withholdings have been filed on time.

Village of West Mansfield
Schedule of Findings
For the Years Ended December 31, 2007 and 2006

Finding Number 2007-07

Material Noncompliance – Timely Filing of Financial Reports

Ohio Revised Code Section 117.38 provides that cash-basis entities must file annual reports with the Auditor of State within 60 days of fiscal year end. The Auditor of State (AoS) may prescribe by rule or guidelines the forms for these reports. However, if the AoS has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The AoS may waive these penalties, upon the filing of the past due financial report.

The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village Fiscal Officer did not file the Village's 2007 and 2006 annual financial report with the Auditor of State within the time required to ensure compliance with the Ohio Revised Code. Furthermore, the Fiscal Officer did not publish notice in the local newspaper stating that the Village's annual financial report was available for public inspection.

Failure to file annual reports as required caused the audit to be delayed. Timely feedback on the reliability of financial information summarized in the financial statements, notes to the financial statements, and schedules is important because management uses the information provided in the financial report to effectively make decisions and to guide the organization.

The Village should implement procedures to ensure that its annual financial report is filed accurately and timely, and that notice is published in the local newspaper stating that the financial report is available for public inspection.

Client Response:

Will be corrected by fiscal officer.

Finding Number 2007-08

Material Noncompliance – Timely Deposits

Ohio Revised Code Section 9.38 provides that public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of receipt.

The Section goes on to say that if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, Villages, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

The Village Fiscal Officer did not make timely deposits as required by Section 9.38 of the Ohio Revised Code during the audit period. Failure to deposit money as required by the Ohio Revised Code results in an increase in the likelihood that misappropriation of funds or theft may occur. The Village should ensure that public money is deposited as required by the Ohio Revised Code.

Village of West Mansfield
Schedule of Findings
For the Years Ended December 31, 2007 and 2006

Finding Number 2007-08 (Continued)

Material Noncompliance – Timely Deposits

Client Response:

The monies will now be deposited accurately.

Finding Number 2007-09

Material Noncompliance – Proper Encumbrance of Funds

Ohio Revised 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. A 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 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 certificate ("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 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 expenditure 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. 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 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.

The Village did not certify the availability of funds or properly utilize the encumbrance method of accounting by certifying funds on purchase orders.

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

Village of West Mansfield
Schedule of Findings
For the Years Ended December 31, 2007 and 2006

Finding Number 2007-09

Material Noncompliance – Proper Encumbrance of Funds

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 limitation, the Fiscal Officer should 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.

Client Response:

Purchase order procedures are currently in place to eliminate this error of prior fiscal officer management.

Finding Number 2007-10

Material Noncompliance – Amended Certificates

Ohio Revised Code Section 5705.36 requires obtaining a reduced amended certificate if the amount of the deficiency between estimated and available resources will reduce available resources below the current level of appropriation. Since the expenditure of Village funds is based on the estimated resources, instances when budgetary estimates do not meet budgetary estimates could lead to overspending. Upon comparison of appropriations to available resources (defined as unencumbered beginning balance plus actual receipts), instances were noted where appropriations were in excess of available resources. The Village should implement monitoring procedures to ensure compliance with Section 5705.36. Procedures for monitoring for compliance with this Section ensures that monies are not expended in excess of allowable limits (unencumbered balances and estimated resources).

Furthermore, Ohio Revised Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Estimated receipts exceeding actual revenues could lead to overspending by the Village. In 2007 and 2006 estimated revenues exceeded actual receipts in several funds at years' end. The Village should monitor variances between estimated and actual revenues and amend certificates as necessary.

Client Response:

Current management has taken action to eliminate prior fiscal officer deficiencies in this area.

Finding Number 2007-11

Material Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources in 2007. Instances were identified where appropriations exceeded estimated resources. Failure to monitor and amend appropriations and estimated resources results in the risk that the Village will overspend. The Village should implement procedures to ensure that appropriations are within the limits of estimated resources and that amended appropriations are obtained when a deficiency exists.

Client Response:

The Village will monitor the procedures more closely so appropriations will not exceed estimated resources in order to comply with Ohio Revised Code.

Village of West Mansfield
Schedule of Findings
For the Years Ended December 31, 2007 and 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-01	Material Weakness – Controls Over Accounting and Report	No	Reissued as Finding 2007-01
2005-02	Material Noncompliance – Negative Fund Balances	No	Reissued as Finding 2007-02
2005-03	Material Weakness – Monitoring Control System	No	Reissued as Finding 2007-03
2005-04	Material Noncompliance – Expenditures in Excess of Appropriations	No	Reissued as Finding 2007-04
2005-05	Material Noncompliance – Inaccurate and Improperly Maintained Accounting Records	No	Reissued as Finding 2007-05
2005-06	Material Noncompliance – Payroll Taxes and Filings	No	Reissued as Finding 2007-06
2005-07	Material Noncompliance – Timely Filing of Financial Reports	No	Reissued as Finding 2007-07
2005-08	Material Noncompliance – Timely Deposits	No	Reissued as Finding 2007-08
2005-09	Material Noncompliance – Proper Encumbrance of Funds	No	Reissued as Finding 2007-09
2005-10	Material Noncompliance – Amended Certificates	No	Reissued as Finding 2007-10
2005-11	Material Noncompliance – Appropriations in Excess of Estimated Resources	No	Reissued as Finding 2007-11
2005-12	Federal Noncompliance – Davis-Bacon Act	N/A	The Village was not subject to single audit for 2007 and 2006.
2005-13	Material Weakness – Loss of Records	N/A	The Village was not subject to single audit for 2007 and 2006.
2005-14	Federal Noncompliance – Single Audit Within Nine Months of Fiscal Year End	N/A	The Village was not subject to single audit for 2007 and 2006.



Mary Taylor, CPA
Auditor of State

VILLAGE OF WEST MANSFIELD

LOGAN 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 18, 2008**