



**Dave Yost • Auditor of State**

**Village of West Elkton  
Preble County**

**Financial Emergency Termination**

**Local Government Services**

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Village of West Elkton, Preble County

Fiscal Emergency Termination

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# Dave Yost • Auditor of State

## CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the Village of West Elkton, the Auditor of State performed an analysis of the Village of West Elkton to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the Village of West Elkton no longer meets the fiscal emergency conditions set forth in Section 118.03 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code is in the process of being implemented and it is reasonably expected that this implementation will be completed within two years, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the Village of West Elkton and its role in the operation of the Village of West Elkton is terminated as of May 28, 2013.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to William Crawford, President Pro-Tempore of Village Council; John Kasich, Governor; Timothy Keen, Director of the Office of Budget and Management; Jon Husted, Secretary of State; Josh Mandel, Treasurer of State; and Mindy Robbins, Preble County Auditor.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Section 118.27(A)(2) of the Revised Code requires the Auditor of State to monitor the progress of implementation and exercise authority under this section and Chapter 117 of the Revised Code to secure full implementation within two years.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

May 28, 2013

Village of West Elkton, Preble County

Report on the Termination of the Village of West Elkton  
Financial Planning and Supervision Commission

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**Report on the Termination of the West Elkton Financial Planning and Supervision Commission**

At the request of the Financial Planning and Supervision Commission of the Village of West Elkton (the Commission), Preble County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Revised Code should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, and no new emergency conditions have occurred...; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”.

Results of our work under Section 118.27(A) of the Revised Code are as follows:

Pages three through sixteen of the report indicate that the Village has effectively implemented or is in the process of implementing corrections to its financial accounting and reporting system in accordance with Section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under Section 118.04 of the Revised Code. This analysis can be found beginning on page seventeen.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with Section 118.06 of the Revised Code. Specific conclusions can be found on page twenty.

We examined and issued a non-adverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated. The Village has not completed its implementation of an effective financial accounting and reporting system; therefore, the Auditor of State will monitor the Village to insure full implementation of the remaining items within two years.

Village of West Elkton, Preble County

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Financial Planning and Supervision Commission

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It is understood that this report's determination is for the use of the Financial Planning and Supervision Commission of the Village of West Elkton, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the Village of West Elkton, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

**Section 1 - Financial Accounting and Reporting System**

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of West Elkton (the Village) and issued a Report on Accounting Methods, dated May 1, 2008. The report identified areas where the Village's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report of Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct the issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

**Budgetary System**

Auditor of State Comment from Report on Accounting Methods

The Village Council did not provide a legal notice or hold a public hearing on the annual tax budget as required by Section 5705.30, Revised Code. The Village Fiscal Officer should provide the public notice ten days in advance of the public hearing by Village Council.

Not Implemented

The Village does not publish a legal notice or hold a public hearing on the annual tax budget.

Auditor of State Comment from Report on Accounting Methods

For 2006, the total amount from all sources available for expenditures and the balances existing at the end of the preceding year were not certified to the County Auditor until March of 2006 contrary to Section 5705.36, Revised Code. The Village Fiscal Officer should certify to the County Auditor the actual unencumbered fund balances early in January of each year.

Implemented

The total amount from all sources available for expenditures and the balances existing at the end of the preceding year is mailed to the Preble County Auditor in January of each year.

Village of West Elkton, Preble County

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Auditor of State Comment from Report on Accounting Methods

The Village does not compare actual receipts to estimated resources during the year nor request an amended certificate of estimated resources when increases or decreases are appropriate as authorized by Section 5705.36, Revised Code. The Fiscal Officer should routinely compare estimated receipts and present this comparison to the Village Council prior to requesting an amended certificate of estimated resources from the County Auditor.

Not Implemented

The Village requests an amended certificate of estimated resources if additional revenues are received in the year; however, the Village does not request a decrease in the amended certificate of estimated resources if revenues actually received are significantly less than the original estimates.

Auditor of State Comment from Report on Accounting Methods

No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official or amended official certificate of estimated resources. The Village must anticipate the amount of time needed for the passage of appropriation ordinances and the certification by the county auditor so that obligations are not authorized against increased appropriations before they actually go into effect.

Implemented

The Village receives a certificate from the County Auditor that the total appropriations from each fund do not exceed the total amended official certificate of estimated resources.

Auditor of State Comment from Report on Accounting Methods

The Village had deficit fund balances contrary to Section 5705.10, Revised Code, and expenditures plus encumbrances that exceeded appropriations contrary to Section 5705.41(B), Revised Code. Appropriations exceeded estimated resources contrary to Section 5705.39, Revised Code. The Village Fiscal Officer, as well as Council, must review the financial and budgetary activity to ensure compliance with Ohio budgetary law. This review should be on-going and documented.

Implemented

All of the Village's funds have positive fund balances. Actual expenditures plus outstanding encumbrances are within appropriations. Appropriations do not exceed estimated resources.

Auditor of State Comment from Report on Accounting Methods

Estimated receipts were not posted to the accounting system. Appropriation ordinances were not posted correctly to the accounting system. The Village Fiscal Officer must enter budgetary information into the accounting system and compare the budget amounts in the system to the amended certificate and the appropriation ordinance. Any variance should be identified and corrected. Each comparison should be documented.



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Implemented

Estimated receipts are posted to the accounting system and compared to the amended certificate. The appropriations approved by Village Council are posted correctly to the accounting system.

**Accounting Journals and Ledgers**

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer does not always record receipts and expenditures in the cash journal on a regular and timely basis.

Implemented

The Fiscal Officer is recording receipts and expenditures in the cash journal on a regular and timely basis. The dates deposits are made are similar to the dates recorded in the cash journal. All checks are generated through and recorded in the Uniform Accounting Network software.

Auditor of State Comment from Report on Accounting Methods

Entries to the cash journal are not always posted sequentially by actual dates of transactions.

Implemented

Entries to the cash journal are posted sequentially by the actual date of the transaction.

Auditor of State Comment from Report on Accounting Methods

The Village should store the backup disks in a safe, off-site location.

Implemented

Backup disks are maintained at the Village office. The Village's computer system is not located in the Village office.

**Receipt Transactions**

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer should deposit village receipts within 24 hours of collection, and a policy should be adopted by Council to allow the Fiscal Officer to hold the money for up to three business days after collection for the daily receipts that are under \$1,000.

Implemented

The Village is depositing receipts within 24 hours of collection.

Auditor of State Comment from Report on Accounting Methods

All monies should be safeguarded upon collection until the time of deposit.

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Implemented

All receipts are sent to a post office box. They are recorded and deposited when picked up from the post office box.

Auditor of State Comment from Report on Accounting Methods

All receipts should be recorded at gross rather than net.

Implemented

Receipts for income taxes and property taxes are recorded at gross beginning in 2013.

Auditor of State Comment from Report on Accounting Methods

Contrary to Sections 9.10 to 9.14, Revised Code, the Village uses a rubber stamp on each case within the Mayor's Court docket book. This signature stamp is the signature of the Mayor that is used by the Mayor's Court Clerk. Each case within the docket book should be signed manually by the Mayor.

Implemented

The Village no longer has a Mayor's Court.

Auditor of State Comment from Report on Accounting Methods

The Mayor's Court Clerk presents a report periodically to Council that presents the total amount of State and Village fines and court costs each month as well as the officer salaries, expenses and the type of expense. According to Section 733.40, Revised Code, the Mayor should present at the first regular meeting of Council, a monthly report of Mayor's Court that states all money received, from whom and for what purposes received, and when paid into the treasury.

Implemented

The Village no longer has a Mayor's Court.

Auditor of State Comment from Report on Accounting Methods

Mayor's Court collections were not all posted to the cashbook or the docket book. According to Section 2335.25, Revised Code, Mayor's Court Clerk should enter all receipts received on the day of the receipt into the cashbook and docket book.

Implemented

The Village no longer has a Mayor's Court.

Auditor of State Comment from Report on Accounting Methods

Under Section 733.40 and 1905.21, Revised Code, the Mayor should disburse fines to the State on the first business day of each month and to the Village on the first Monday of each month. Disbursements to the State and Village were not made on a monthly basis.

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Implemented

The Village no longer has a Mayor's Court.

Auditor of State Comment from Report on Accounting Methods

The Mayor's Court Clerk receipts the monies, counts the cash, inputs the receipts into the cashbook, deposits to the bank, inputs information into the docket book and rubber stamps the Mayor's signature, disburses monies to the State and Village, and prepares the Mayor's Court report submitted to Council. The Mayor should perform the monthly bank reconciliation. The Mayor should also review and approve all court reports and all cases within the docket book. The Mayor should manually sign each case within the docket book.

Implemented

The Village no longer has a Mayor's Court.

Auditor of State Comment from Report on Accounting Methods

The Mayor's Court Clerk uses case jackets to file all citations set for a certain court date in one jacket. The clerk should file each citation within one case jacket to provide a means of accessibility for each case. The case jacket should provide the case number, amount of the fine, and each receipt received for the case and should be filed in numerical order.

Implemented

The Village no longer has a Mayor's Court.

Auditor of State Comment from Report on Accounting Methods

The Police Chief should receive copies of all issued and voided citations by the Police Officers and should maintain accountability over the citations. A monthly report should be prepared and presented to the Mayor.

Implemented

The police department was eliminated on July 1, 2011.

Auditor of State Comment from Report on Accounting Methods

As of January 1, 2008, the Mayor's Court operations have been suspended.

Implemented

The Village no longer has a Mayor's Court.

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**Purchasing Process**

Auditor of State Comment from Report on Accounting Methods

The signature of the Fiscal Officer on purchase orders was either missing or not authentic. All purchase order forms should be signed by the Fiscal Officer.

Implemented

Purchase orders are certified by the Fiscal Officer and signed by three council members.

Auditor of State Comment from Report on Accounting Methods

The Village receives invoices before a purchase order is prepared and posted. The Village should consider the use of a purchase order form or a requisition form to document the authorization of purchases. Once the purchase is approved, the Village Fiscal Officer should encumber funds before funds are obligated through a purchase order per Section 5705.41(D), Revised Code.

Partially Implemented

Generally, the Village is using blanket purchase orders. Regular purchase orders are usually issued prior to the receipt of the invoice; however, there are still instances in which the purchase order is dated the same day as the check is written. The Fiscal Officer is not using Then and Now certificates.

Auditor of State Comment from Report on Accounting Methods

The Village does not use the Auditor of State Findings for Recovery Database when entering into contracts. Section 9.24, Revised Code, prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved.

Implemented

The Village has not entered into any contracts that require the use of the Auditor of State Findings for Recovery Database.

Auditor of State Comment from Report on Accounting Methods

The Village Council, per Section 5705.41(D), Revised Code, should establish, by resolution or ordinance, the maximum amount for blanket purchase orders to be issued by the Village Fiscal Officer. Blanket purchase orders used without the Village Council's limit are not valid because the Village does not have the authority to use blanket purchase orders without a limit set by Village Council.

Not Implemented

The Village does not have a resolution or ordinance establishing the maximum amount for blanket purchase orders.

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Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer should implement internal controls over the purchase of gas for the Village vehicles. These controls should include a mileage log for each vehicle and list of approved gas stations for the purchase of fuel. The approved gas stations should be required to reference the Village vehicle and require a signature of the Village employee.

Implemented

The Village no longer has any vehicles.

**Cash Disbursements**

Auditor of State Comment from Report on Accounting Methods

The Village Fiscal Officer allows various funds to carry a deficit cash balance. Disbursements should not be made from a fund with an insufficient cash balance.

Implemented

All funds have a positive cash balance.

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer prepares checks manually and enters the check information into the Uniform Accounting Network (UAN) monthly. The Village Fiscal Officer should prepare and print checks through the UAN system to eliminate errors and to reduce posting time for disbursements.

Implemented

All checks are written through the UAN system.

Auditor of State Comment from Report on Accounting Methods

Invoices are listed on a “Bills Due Report” upon receipt, which is presented to Council for approval to make payment at the next monthly meeting. This procedure, which is not required by statute, does not allow obligations to be paid in a timely manner. Council already approves the appropriations for each department and authorizes all contracts. Invoices need not be approved for payment by Council. Invoices should be matched to a copy of the purchase order and approved for payment by the department head or supervisor. Prior to the checks being signed and mailed, the voucher containing the invoice, purchase order, and any other supporting documentation should be reviewed by the mayor for a properly issued purchase order, department head or supervisor approval on the invoice, acknowledgement of the receipt of goods, appropriate accounts codes, and that the check is in agreement with the voucher. The mayor should sign or initial the voucher indicating his review and approval for payment. These additional procedures compensate for the Fiscal Officer having sole responsibility for processing invoices for payment, recording of the transactions, and signing of the all checks for the payment of obligations.

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Implemented

The Fiscal Officer pays invoices as they become due. Approval for purchases are made at the time the Mayor signs the purchase order.

Auditor of State Comment from Report on Accounting Methods

The signature of the Fiscal Officer on the Village checks was not always authentic. All checks should be signed by the Fiscal Officer.

Implemented

The Fiscal Officer is signing all checks.

Auditor of State Comment from Report on Accounting Methods

The Village employees and officials purchase items and request reimbursement. The practice of employees purchasing items and requesting reimbursement should be terminated. The Village should adopt written procedures for the purchase of goods to be followed by Village employees and officials.

Partially Implemented

All purchases are approved prior to purchase and purchase orders are issued in accordance with statutory requirements. The practice of employees purchasing items and requesting reimbursement has been terminated. The Village has not adopted a written policy on the purchase of goods or services.

Auditor of State Comment from Report on Accounting Methods

Invoices are being paid without any verification that goods and services were received, that goods and services received were as ordered (items, quantities, and costs), or that purchases were authorized. The Village must establish a process by which purchases are properly authorized, received, and verified before invoices are paid.

Implemented

Goods and services are properly authorized prior to purchase and verified prior to payment. Authorization for purchases occurs when the Mayor approves the purchase order. Goods and services are received by either the Mayor or Fiscal Officer.

**Payroll Processing**

Auditor of State Comment from Report on Accounting Methods

Per Section 731.13, Revised Code, the Village Council should approve the compensation of all officials, clerks of the Village, and employees by completing an annual payroll resolution. An increase for the Mayor's Court Clerk was not documented or approved within the Village Council minutes. Increases in compensation to clerks or employees must be approved by Council and documented within the minutes.

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Implemented

The compensation of all officials and employees of the Village are approved by ordinance.

Auditor of State Comment from Report on Accounting Methods

There were payroll checks written for two salaried employees that were issued before work was actually done, and the Fiscal Officer issued payroll checks that compensated an employee twice for the same days worked. There were hours paid to police officers without the approval of the hours by the Police Chief. The Fiscal Officer should ensure employees are only compensated once for days worked through documentation of a time sheet and require the time sheets to be approved by the department head.

Implemented

Currently, the Village's payroll consists of the Fiscal Officer and elected officials. There are no other employees. The Fiscal Officer is paid a salary on a monthly basis. Elected officials are paid annually in December.

Auditor of State Comment from Report on Accounting Methods

Police officers do not work a set schedule and hours. Hours are turned in for work done as they become significant. This process often results in actual payments being significantly later than actual days worked. To prevent overpayments or inaccuracies, a formal written policy should be adopted requiring all employees to submit hours for approval either bi-weekly or monthly regardless of the number of hours worked.

Implemented

The police department was eliminated on July 1, 2011. The Village has a contract with the County Sheriff for limited enforcement coverage.

Auditor of State Comment from Report on Accounting Methods

The Village should utilize the UAN system for the payroll process. Several reports can be printed from the UAN system that can be sent directly to the agency, such as OPERS and Employer's Quarterly Taxes (Form 941). Information from the UAN system can be used to properly calculate the Workers' Compensation premium.

Implemented

The UAN system is utilized to process payroll.

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**Debt Administration**

Auditor of State Comment from Report on Accounting Methods

Debt payments are often recorded in the UAN system before the actual payment is made or the check is written. The Village does not always post debt principal and interest payments to their respective account codes. Often, they are both posted to the principal object code or the other debt service object code. Debt payments should be recorded in the accounting system at the time payment is made and the principal and interest payments should be posted to their respective object codes.

Implemented

The Village no longer has any outstanding debt.

Auditor of State Comment from Report on Accounting Methods

The Village did not make all debt payments timely and incurred penalties for late payments. All debt payments should be made by the due date to avoid late fees.

Implemented

The Village no longer has any outstanding debt.

Auditor of State Comment from Report on Accounting Methods

The original police cruiser was refinanced with an additional amount for repairs. All debt issued or refinanced should be approved by ordinance of Council and should identify the Revised Code sections granting authority for the issuance of the debt. The ordinance for the issuance of debt should be completed by legal Counsel. No Council ordinance could be located for approval for change in debt.

Implemented

The Village no longer has any outstanding debt.

**Inventory of Capital Assets**

Auditor of State Comment from Report on Accounting Methods

The Village does not maintain an inventory of capital assets. Without an inventory of capital assets, the Village is unable to determine if there is adequate insurance coverage, whether assets have been lost or stolen, whether idle assets exist that can be sold to generate additional revenue, and whether assets are used in the most efficient manner. The Village should develop an inventory of all capital assets and update it annually.

Not Implemented

The Village has not developed an inventory of capital assets.



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Auditor of State Comment from Report on Accounting Methods

The Village should implement written policies for Village owned property (i.e. vehicles, equipment, cell phones) that addresses control and accountability and that stipulates the personal use of any Village owned property is prohibited.

Not Implemented

The Village has not adopted policies and procedures to account for capital assets.

**Cash Management and Investing**

Auditor of State Comment from Report on Accounting Methods

The general checking account reconciliations have reconciling items each month. The majority of the reconciling items include interest not being posted monthly and manual checks not being entered into the UAN system. The reconciling items as well as the amounts should be noted on the reconciliation. The Village Fiscal Officer should post the reconciling items upon completion of the reconciliation.

Implemented

Bank statements are reconciled monthly through the UAN system. Reconciling items are usually recorded prior to finalizing the monthly activity.

Auditor of State Comment from Report on Accounting Methods

The Mayor's Court cashbook is not reconciled to the bank statement monthly; consequently, the cashbook does not reconcile to the bank statements. Several reconciling items have not been corrected within the cashbook. The Mayor's Court Clerk should perform a reconciliation between the cashbook and the bank on a monthly basis and post reconciling items upon completion of the reconciliation. The Mayor should review and approve the monthly bank reconciliation for Mayor's Court.

Implemented

The Village no longer has a Mayor's Court.

Auditor of State Comment from Report on Accounting Methods

There were several Mayor's Court bank statements that could not be located by the Mayor's Court Clerk. The Mayor's Court Clerk should file all records of Mayor's Court in a safe and secure location upon completion of their use.

Implemented

The Village no longer has a Mayor's Court.

Auditor of State Comment from Report on Accounting Methods

The Mayor's Court Clerk has a change fund. A formal authorization and resolution on the existence and use of the change fund should be approved by the Council.

Village of West Elkton, Preble County

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Implemented

The Village no longer has a Mayor's Court.

**Financial Reporting**

Auditor of State Comment from Report on Accounting Methods

Close to the end of the year, the Village Fiscal Officer presents an expenditure report that shows the total percentage of appropriations used through actual expenditures and encumbrances to Council. A budget versus actual report for revenues is not submitted to Council. The Village Fiscal Officer should present budget versus actual reports for both revenues and expenditures to Council on a monthly basis.

Implemented

At council meetings, the Fiscal Officer provides a copy of the following reports to Village Council; a cash summary report identifying by fund, the beginning of year fund balance, year to date receipts and expenditures, and the ending fund balance; a revenue status report detailing the estimated resources, by fund, by revenue category, year to date receipts, and the percent of receipts collected year to date when compared to the estimate; an appropriation status report detailing any prior year carryover balance, current year appropriations, amounts encumbered, the unencumbered fund balance, the amount spent year to date, and the percent spent year to date when compared to the amount appropriated; a bank reconciliation that lists all bank balances, outstanding checks, and explanations for any other adjusting factors; and a payment register that details by check number the vendor, purpose, and amount paid for all checks written for the month.

**Recording Official Proceedings**

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer was unable to locate the March and April 2004 minutes when requested. These minutes were recreated from handwritten notes of the meetings. The minutes of a regular or special meeting should be promptly prepared, filed, and maintained in a bound minute record and be open to public inspection according to Section 121.22, Revised Code.

Implemented

Council minutes are maintained in the computer system. The minutes are also printed and signed by the Fiscal Officer and the President of Council and kept in a Minutes Record Book.

Auditor of State Comment from Report on Accounting Methods

The Village minutes do not contain all actions of Council taken during the meeting or the signatures of the Village Mayor and Fiscal Officer. Also, the Village minutes for July 2005 contained the wrong date of June 2005. The Village Fiscal Officer should maintain complete and accurate record of the Village meetings within the minutes. Village Council should note during the reading of the prior meeting minutes corrections of any actions or deliberations not mentioned in the minutes. All minutes should be signed by both the President of Council and Fiscal Officer after reading and approval of the minutes by Council.

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Implemented

The Village appears to be maintaining complete and accurate records of council meetings. The minutes are signed by the Fiscal Officer and the President of Council and kept in a Minutes Record Book.

Auditor of State Comment from Report on Accounting Methods

The Village Council approves most items through motions instead of resolutions or ordinances. The appropriations for the Village were not approved in the form of an ordinance but through motions of Council. The Village Council should make and approve most actions through resolutions and ordinances.

Implemented

Most actions of Council are approved through resolutions and ordinances.

Auditor of State Comment from Report on Accounting Methods

The Village Council held an executive session on October 12, 2004, for the purpose of discussing the finances of the Village. The Village should only hold an executive session within the regular or special meeting for the purpose(s) outlined in Section 121.22(G) and (J), Revised Code.

Implemented

The Village appears to be entering into executive sessions in accordance with State statute.

Auditor of State Comment from Report on Accounting Methods

Resolutions and ordinances are not maintained in a book for Resolutions and Ordinances. The Village Fiscal Officer should maintain and safeguard Village Council approved resolutions and ordinances in an appropriate designated book.

Implemented

The resolutions and ordinances are maintained in a book.

Auditor of State Comment from Report on Accounting Methods

Ordinances and resolutions of the Village are not always published according to Section 731.20 and 731.21, Revised Code. The signatures of the President of Council and Fiscal Officer are lacking on some ordinances. Once a week for two consecutive weeks, the Village Fiscal Officer should publicize in the local newspaper the resolution or ordinance number with the heading and a notice that the complete text of it may be obtained or viewed at the Village Hall. Also, the President of Council as well as the Fiscal Officer should sign each ordinance.

Implemented

The Village is posting copies of the resolutions and ordinances in various locations of the Village in accordance with the requirements of the Revised Code. The Fiscal Officer and President of Council sign each ordinance or resolution.

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**Audit Report and Management Letters**

The Village Council and Officials receive a compliance and management letter at the conclusion of each annual audit. The letters that accompanied the December 31, 2009, and 2010 audit identified a number of noncompliance issues and several recommendations.

The noncompliance issues in the audit consisted of issues related to the recording and reporting of Mayor's Court activities. The Village no longer has a Mayor's Court.

The issues noted in the management letter accompanying the audit included insufficient policies related to public records and travel, the proper use of purchase orders, the appropriate authorization of tax levy rates, reductions in the amended certificate of estimated resources when applicable, the maturity of certificates of deposit, and the establishment of a Mayor's Court computerization fund. The Village is currently working on a public records policy and has adopted a travel policy. The Village has corrected the use of purchase orders, certification of tax levy rates, and modifying the amended certificate of estimated resources when required. The Village no longer has any certificates of deposit and the Mayor's Court has been eliminated.

In addition, the management letter made recommendations regarding the establishment of a credit card policy and the misstatement of several financial transactions. The Village no longer has any credit cards and is working to eliminate the misstatement of financial transactions.

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**Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions**

Under Section 118.27(A)(2) of the Ohio Revised Code, the Village shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

**Condition One - Default on Any Debt Obligation**

Section 118.03(A)(1) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

A Village had no outstanding debt as of December 31, 2012.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code. The Village had no outstanding debt as of December 31, 2012.

**Condition Two - Payment of All Payroll**

Section 118.03(A)(2) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or
- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We obtained an understanding of the payroll process through discussion with the Fiscal Officer. We obtained payroll reports and pay rate legislation. We reviewed bank statements to determine whether Village employees were paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Revised Code as of December 31, 2012. All employees have been paid in amounts and at the times required by ordinance.

Village of West Elkton, Preble County

Report on the Termination of the Village of West Elkton  
Financial Planning and Supervision Commission

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**Condition Three - Increase in Minimum Tax Levy**

Section 118.03(A)(3) of the Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Preble County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the Village for 2012 or 2013, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Preble County Budget Commission indicated that the Commission had not taken any action for tax year 2012 or 2013 to increase the inside millage of the Village.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as of December 31, 2012.

**Condition Four - Past Due Accounts Payable from the General Fund and all Funds**

Section 118.03(A)(4) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year end balance in the general fund and in respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

We prepared a schedule of accounts payable as of December 31, 2012, for all funds that were due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2012, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties. There were no payables over thirty days past due in any fund.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Revised Code as of December 31, 2012. There were no payables over thirty days past due.

Village of West Elkton, Preble County

Report on the Termination of the Village of West Elkton  
Financial Planning and Supervision Commission

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**Condition Five - Deficit Fund Balances**

Section 118.03(A)(5) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at December 31, 2012, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code. There were no deficit fund balances at December 31, 2012.

**Condition Six - Treasury Balances**

Section 118.03(A)(6) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village's reconciled bank balance to its statement of cash position by fund for all funds as of December 31, 2012, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all cash balances.

	Schedule I
Treasury Balance Ohio Revised Code Section 118.03(A)(6) As of December 31, 2012	
	<u>Amounts at December 31, 2012</u>
Bank Cash Balance	
First Financial Bank	\$125,034
Less Reconciling Factors for Outstanding Checks	<u>(32)</u>
Total Treasury Balance	<u>125,002</u>
	(continued)

Village of West Elkton, Preble County

Report on the Termination of the Village of West Elkton  
Financial Planning and Supervision Commission

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Schedule I

Treasury Balance  
Ohio Revised Code Section 118.03(A)(6)  
As of December 31, 2012  
(continued)

	<u>Amounts at December 31, 2012</u>
Positive Fund Balances	
General	\$60,613
Street Maintenance	47,045
State Highway	6,412
Recreation	123
State Grant	24
Permissive	5
Fire	130
Police	4,337
Ambulance	5,979
Rural Development	334
Total Positive Fund Balances	<u>125,002</u>
 Treasury Deficiency	 <u><u>\$0</u></u>

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of December 31, 2012. The treasury balance less the positive fund cash balances as of December 31, 2012, did not exceed one-sixth of the treasury receipts for the year.

**Section 3 - Financial Plan Objectives**

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.



Village of West Elkton, Preble County

Report on the Termination of the Village of West Elkton  
Financial Planning and Supervision Commission

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**Section 4 - Financial Forecast**

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under Section 118.27(A)(4) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

**DISCLAIMER**

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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**APPENDIX A**

**Village of West Elkton  
Preble County**

**Financial Forecast**

**For the Years Ending December 31, 2013 Through December 31, 2017**

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Village of West Elkton, Preble County

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# Dave Yost • Auditor of State

Village Council  
Village of West Elkton  
P. O. Box 180  
135 North Main Street  
West Elkton, Ohio 45070

Based upon the requirement set forth in section 118.27(A)(4) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statement of revenues, expenditures, and changes in fund balance of the various funds of the Village of West Elkton, for the five years ending December 31, 2017. These statements are presented on the budget basis of accounting used by the Village of West Elkton rather than on generally accepted accounting principles. The Village of West Elkton's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the Village of West Elkton and the Financial Planning and Supervision Commission of West Elkton and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 16, 2013

Village of West Elkton, Preble County  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2009, Through 2012, Actual  
and Ending December 31, 2013, Through 2017, Forecasted

General Fund				
	2009 Actual	2010 Actual	2011 Actual	2012 Actual
<u>Revenues</u>				
Property Taxes	\$2,500	\$2,000	\$2,450	\$2,000
Municipal Income Taxes	30,200	19,400	21,750	20,350
Fines, Licenses, and Permits	6,250	5,150	4,650	350
Intergovernmental	20,850	26,200	23,950	17,100
Charges for Services	600	950	1,450	800
Donations	550	400	550	300
Interest	200	250	50	50
Other	0	1,000	50	6,250
<b>Total Revenues</b>	<b>61,150</b>	<b>55,350</b>	<b>54,900</b>	<b>47,200</b>
<u>Expenditures</u>				
Security of Persons and Property				
Police Department				
Personal Services	3,100	5,250	2,800	100
Contractual Services	1,550	3,300	1,100	1,950
Supplies and Materials	2,100	3,150	100	250
Capital Outlay	0	100	0	0
<b>Total Police Department</b>	<b>6,750</b>	<b>11,800</b>	<b>4,000</b>	<b>2,300</b>
Emergency Management Agency				
Contractual Services	100	100	100	100
<b>Total Security of Persons and Property</b>	<b>6,850</b>	<b>11,900</b>	<b>4,100</b>	<b>2,400</b>
Health				
Board of Health				
Contractual Services	250	250	250	300
Leisure Time Activities				
Parks				
Capital Outlay	0	0	0	0
General Government				
Mayor				
Personal Services	1,700	3,850	2,400	400
Contractual Services	1,000	8,800	5,700	5,750
Supplies and Materials	500	450	750	2,650
<b>Total Mayor</b>	<b>3,200</b>	<b>13,100</b>	<b>8,850</b>	<b>8,800</b>
Council				
Personal Services	2,300	2,150	1,700	1,800
Clerk Treasurer				
Personal Services	2,050	0	0	0
Contractual Services	50	0	0	0
Supplies and Materials	50	0	0	0
<b>Total Clerk Treasurer</b>	<b>2,150</b>	<b>0</b>	<b>0</b>	<b>0</b>
Fiscal Officer				
Personal Services	9,600	9,000	9,000	9,000
Contractual Services	300	0	550	0
Supplies and Materials	500	800	0	200
<b>Total Fiscal Officer</b>	<b>10,400</b>	<b>9,800</b>	<b>9,550</b>	<b>9,200</b>



2013 Forecasted	2014 Forecasted	2015 Forecasted	2016 Forecasted	2017 Forecasted
\$2,050	\$2,050	\$2,100	\$2,100	\$2,100
20,750	21,100	21,550	22,000	22,450
1,100	1,100	1,100	1,100	1,100
12,650	12,500	12,500	12,500	12,500
800	800	800	800	800
300	300	300	300	300
50	50	50	50	50
0	0	0	0	0
<u>37,700</u>	<u>37,900</u>	<u>38,400</u>	<u>38,850</u>	<u>39,300</u>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0	0
<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
<u>300</u>	<u>300</u>	<u>350</u>	<u>350</u>	<u>350</u>
<u>0</u>	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>0</u>
1,350	1,400	1,400	1,400	1,450
10,000	500	10,500	500	11,000
3,000	3,150	3,300	3,500	3,650
<u>14,350</u>	<u>5,050</u>	<u>15,200</u>	<u>5,400</u>	<u>16,100</u>
<u>2,700</u>	<u>2,700</u>	<u>2,700</u>	<u>2,700</u>	<u>2,700</u>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
10,500	10,500	10,500	10,500	10,500
100	100	100	100	150
300	300	350	350	350
<u>10,900</u>	<u>10,900</u>	<u>10,950</u>	<u>10,950</u>	<u>11,000</u>

(continued)

Village of West Elkton, Preble County  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2009, Through 2012, Actual  
and Ending December 31, 2013, Through 2017, Forecasted  
(continued)

General Fund				
	2009	2010	2011	2012
	Actual	Actual	Actual	Actual
Land and Buildings				
Contractual Services	\$13,050	\$18,850	\$13,250	\$9,750
Supplies and Materials	50	950	400	1,250
Total Land and Buildings	<u>13,100</u>	<u>19,800</u>	<u>13,650</u>	<u>11,000</u>
Other Governmental				
Personal Services	850	0	0	0
Contractual Services	2,950	2,350	3,500	3,000
Total Other Governmental	<u>3,800</u>	<u>2,350</u>	<u>3,500</u>	<u>3,000</u>
Total General Government	<u>34,950</u>	<u>47,200</u>	<u>37,250</u>	<u>33,800</u>
Debt Service				
Principal	7,100	0	0	0
Interest and Fiscal Charges	400	0	0	0
Total Debt Service	<u>7,500</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>49,550</u>	<u>59,350</u>	<u>41,600</u>	<u>36,500</u>
Excess of Revenues Over (Under) Expenditures	11,600	(4,000)	13,300	10,700
<u>Other Financing Uses</u>				
Transfers Out	<u>0</u>	<u>(20)</u>	<u>0</u>	<u>0</u>
Changes in Fund Balance	11,600	(4,020)	13,300	10,700
Fund Balance Beginning of Year	<u>28,200</u>	<u>39,800</u>	<u>35,780</u>	<u>49,080</u>
Fund Balance End of Year	<u><u>\$39,800</u></u>	<u><u>\$35,780</u></u>	<u><u>\$49,080</u></u>	<u><u>\$59,780</u></u>

2013 Forecasted	2014 Forecasted	2015 Forecasted	2016 Forecasted	2017 Forecasted
\$10,250	\$11,000	\$11,350	\$11,750	\$12,100
1,000	1,100	1,200	1,300	1,450
<u>11,250</u>	<u>12,100</u>	<u>12,550</u>	<u>13,050</u>	<u>13,550</u>
0	0	0	0	0
4,750	6,400	5,200	7,050	5,700
<u>4,750</u>	<u>6,400</u>	<u>5,200</u>	<u>7,050</u>	<u>5,700</u>
<u>43,950</u>	<u>37,150</u>	<u>46,600</u>	<u>39,150</u>	<u>49,050</u>
0	0	0	0	0
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>44,350</u>	<u>38,550</u>	<u>48,050</u>	<u>39,600</u>	<u>49,500</u>
(6,650)	(650)	(9,650)	(750)	(10,200)
0	0	0	0	0
(6,650)	(650)	(9,650)	(750)	(10,200)
<u>59,780</u>	<u>53,130</u>	<u>52,480</u>	<u>42,830</u>	<u>42,080</u>
<u>\$53,130</u>	<u>\$52,480</u>	<u>\$42,830</u>	<u>\$42,080</u>	<u>\$31,880</u>

Village of West Elkton Preble County  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2009, Through 2012, Actual  
and Ending December 31, 2013, Through 2017, Forecasted

	Fire Fund			
	2009 Actual	2010 Actual	2011 Actual	2012 Actual
<u>Revenues</u>				
Property Taxes	\$800	\$800	\$900	\$900
Intergovernmental	250	300	200	100
<b>Total Revenues</b>	<b>1,050</b>	<b>1,100</b>	<b>1,100</b>	<b>1,000</b>
<u>Expenditures</u>				
Security of Persons and Property				
Contractual Services	1,000	950	50	2,000
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>50</b>	<b>150</b>	<b>1,050</b>	<b>(1,000)</b>
<u>Other Financing Sources</u>				
Transfers In	0	20	0	0
<b>Changes in Fund Balance</b>	<b>50</b>	<b>170</b>	<b>1,050</b>	<b>(1,000)</b>
<b>Fund Balance Beginning of Year</b>	<b>150</b>	<b>200</b>	<b>370</b>	<b>1,420</b>
<b>Fund Balance End of Year</b>	<b>\$200</b>	<b>\$370</b>	<b>\$1,420</b>	<b>\$420</b>

<u>2013</u> <u>Forecasted</u>	<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>
\$850	\$850	\$900	\$900	\$900
<u>200</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>
1,050	1,000	1,050	1,050	1,050
<u>1,050</u>	<u>1,050</u>	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>
0	(50)	(50)	(50)	(50)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	(50)	(50)	(50)	(50)
<u>420</u>	<u>420</u>	<u>370</u>	<u>320</u>	<u>270</u>
<u>\$420</u>	<u>\$370</u>	<u>\$320</u>	<u>\$270</u>	<u>\$220</u>

Village of West Elkton Preble County  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2009, Through 2012, Actual  
and Ending December 31, 2013, Through 2017, Forecasted

	Police Fund			
	2009	2010	2011	2012
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
<u>Revenues</u>				
Property Taxes	\$1,100	\$1,100	\$1,300	\$1,200
Intergovernmental	850	500	300	100
Total Revenues	<u>1,950</u>	<u>1,600</u>	<u>1,600</u>	<u>1,300</u>
<u>Expenditures</u>				
Security of Persons and Property				
Contractual Services	50	50	50	50
Supplies and Materials	0	0	400	0
Total Expenditures	<u>50</u>	<u>50</u>	<u>450</u>	<u>50</u>
Changes in Fund Balance	1,900	1,550	1,150	1,250
Fund Balance (Deficit) Beginning of Year	<u>(1,300)</u>	<u>600</u>	<u>2,150</u>	<u>3,300</u>
Fund Balance End of Year	<u><u>\$600</u></u>	<u><u>\$2,150</u></u>	<u><u>\$3,300</u></u>	<u><u>\$4,550</u></u>

2013 Forecasted	2014 Forecasted	2015 Forecasted	2016 Forecasted	2017 Forecasted
\$1,300	\$1,300	\$1,350	\$1,350	\$1,350
350	200	200	200	200
1,650	1,500	1,550	1,550	1,550
0	0	0	0	0
1,650	1,500	1,550	1,550	1,550
1,650	1,500	1,550	1,550	1,550
0	0	0	0	0
4,550	4,550	4,550	4,550	4,550
\$4,550	\$4,550	\$4,550	\$4,550	\$4,550

Village of West Elkton, Preble County  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2013, Through 2017

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**Note 1 - The Village**

The Village of West Elkton is located in southwest Ohio in Preble County. The Village is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Operating as a statutory village, West Elkton must comply with all State laws regulating village government. The decision making process is directed by an elected Village Council and Mayor. The Village Council is the legislative authority of the Village and consists of six members who are elected at large and serve terms of four years. The Mayor is the chief executive officer of the Village and serves a term of four years. In accordance with Section 733.262 of the Ohio Revised Code, in October 2009, the Village Council eliminated the elected position of Clerk Treasurer. This section provides for a Fiscal Officer appointed by the Mayor with Village Council approval.

On September 16, 2004, the Auditor of State's Office declared the Village of West Elkton to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor, President Pro Tempore of Village Council, three individuals whose residency or principal place of business is within the Village, and a designee from both the State Treasurer's Office and the Office of Budget and Management. This Commission is required to adopt a financial recovery plan for the Village. Once the plan has been adopted, the Village's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

The Village of West Elkton provides general government services including street maintenance and repair, street lighting, park maintenance, and police, fire, and ambulance service (contracted services). The operation of each of these activities is directly controlled by the Village Council through the budgetary process. The administration includes the Mayor and the Fiscal Officer.

**Note 2 - Nature of Presentation**

This financial forecast presents, to the best of the Village's knowledge and belief, the expected revenues, expenditures, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village's judgment, as of April 16, 2013, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the Village. For the Village of West Elkton, this consists of the General Fund and the Fire and Police special revenue funds.



Village of West Elkton, Preble County  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2013, through 2017

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**Note 3 - Summary of Significant Accounting Policies**

**A. Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**B. Fund Accounting**

The Village maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Funds**

**General Fund** - The General Fund is the operating fund of the Village and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio law.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

**Estimated Resources** - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the Village, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Village of West Elkton, Preble County  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2013, through 2017

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**Note 3 - Summary of Significant Accounting Policies** (continued)

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriations for the full year are not ready for approval by Village Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

**Note 4 - General Revenue Assumptions - All Funds**

A. Property Taxes

Property tax revenues consist of real property, public utility real and personal property, and prior to 2011, tangible personal property taxes. The Village may request advances from the Preble County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account "intergovernmental revenue".

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2011 for taxes collected in 2012. The next triennial update will take place in 2014 for taxes collected in 2015 with the next reappraisal scheduled for 2017.

Village of West Elkton, Preble County  
 Summary of Significant Accounting Policies and Forecast Assumptions  
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**Note 4 - General Revenue Assumptions - All Funds** (continued)

The Village's assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	Collection Year			
	2009	2010	2011	2012
Real Property				
Residential and Agriculture	\$2,095,550	\$2,132,990	\$2,186,820	\$1,986,490
Commercial and Industrial	204,210	111,200	111,200	117,230
Public Utility Property				
Personal	29,400	40,860	39,910	39,910
Tangible Personal Property	7,820	3,510	0	0
Total Assessed Value	<u>\$2,336,980</u>	<u>\$2,288,560</u>	<u>\$2,337,930</u>	<u>\$2,143,630</u>

Property tax revenues are generated from the inside millage receipted into the General Fund, as well as from voted levies for Police, Fire, and Ambulance services receipted in the Police, Fire, and Ambulance funds.

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Levy Type	Fund	Original Year Approved	Latest Year Renewed	First Year of Collection	Last Year of Collection	Total Rate (Per \$1,000 of Assessed Valuation)
Inside Millage	General	n/a	n/a	n/a	n/a	\$1.20
Operating	General	1959	2004	1960	2009	.00
Operating	Fire	1976	2009	2010	2014	.60
Operating	Fire	1979	2009	2010	2014	.90
Operating	Police	1984	n/a	1985	n/a	2.00
Operating	Ambulance	1985	2006	2007	2011	.00
Operating	Ambulance	1996	2006	2007	2011	.00
Operating	Ambulance	2012	n/a	2013	2017	1.25
Total						<u>\$5.95</u>

For the forecast period, it is anticipated that all of the operating levies will be renewed by the voters when they expire.

Public utility real taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies.

Real Property - Real property taxes decreased in 2010 due to the expiration of an operating levy in the General Fund. There was an increase in 2011 due to delinquent tax collections. A slight increase in real property taxes is anticipated in 2015 based on changes in valuation from the triennial update.

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**Note 4 - General Revenue Assumptions - All Funds** (continued)

Tangible Personal Property - Tangible personal property taxes have had a number of changes in the past several years. Effective for tax years 2005 and 2006, the assessment rate on inventory was to be reduced by 2 percent if the total statewide collections of personal property taxes for the second preceding year exceeded the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by 2 percent per year until completely phased out, regardless of the growth in collections.

In 2006, House Bill 66 phased out, by 25 percent each year, tangible personal property tax on most businesses' inventory, manufacturing machinery and equipment, and furniture and fixtures. This change superceded the changes and phase-out periods addressed above. No tangible personal property taxes have been levied or collected since 2009 from general business taxpayers (except telephone companies whose last year to pay tangible property tax was 2010). The State of Ohio reimburses the Village for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Intergovernmental Revenues below).

**B. Municipal Income Taxes**

The Village levies a municipal income tax of 1 percent on all income earned within the Village as well as on income of residents earned outside the Village. The Village allows a credit for income taxes paid to another municipality. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a final return annually.

All income tax revenue is credited to the General Fund and used to pay the cost of administering the tax and for general governmental operations. Income tax revenues are expected to increase approximately 2 percent each year based on an increase in business and individual earnings. Due to geographic limitations, no growth is expected in the Village.

**B. Intergovernmental Revenues**

Intergovernmental revenues include local government monies and property tax allocations for rollback, homestead, and tangible personal property loss reimbursements. The local government funds are distributed monthly by the State to the Village and by the County Auditor to the Village. The property tax allocations for rollback, homestead, and tangible personal property are received from the State and are based on information provided by the County Auditor.

Beginning in 2006, the State reimbursed the Village for lost revenue due to the phase-out of tangible personal property tax. In the first five years, the Village was fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, the reimbursements were to be phased-out. The reimbursement was for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the Village was only reimbursed for the difference between the amounts that would have been received under the prior law and amounts actually received as the phase-outs in House Bill 66 were implemented.

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**Note 4 - General Revenue Assumptions - All Funds** (continued)

In 2011, House Bill 153 accelerated the phase-out of the tangible personal property loss reimbursements by two percentage points per year based on the entity's 2010 tax year reimbursements.

State law grants tax relief in the form of a 10 percent reduction in real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the Village for the loss of real property taxes caused by the homestead and rollback tax relief programs.

In tax collection year 2008, the State granted an additional homestead exemption for the first \$25,000 in market value. This exemption increases property tax allocation receipts and decreases property tax receipts by an equal amount.

In prior years, the State exempted the first \$10,000 in tangible personal property from taxation and the State reimbursed the Village for the lost revenue. In 2004, the State began to phase-out the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period was accelerated. The last reimbursement for this exemption was in October 2008.

Section 503.12(B) of House Bill 66 established a Task Force to study potential sources of State funding for the local government and the local government revenue assistance programs that have the capacity for growth and stability in the funding levels and that considers the changes to the Ohio tax code. In December 2006, the Task Force submitted a report to the Governor and to the General Assembly setting forth its recommendations. The State Budget bill for fiscal years 2008 and 2009 replaced the percentage of tax methodology with a percentage of tax receipts formula. In general, the formula proposes that the three local government funds at the State level receive a percentage of the general revenue fund tax receipts in total collected by the State. In 2011, House Bill 153 made reductions in the local government funding for fiscal years 2012 and 2013. These reductions are approximately 25 percent and 50 percent less than 2011 funding amounts for 2012 and 2013, respectively. No increases are projected for future years.

**Note 5 - Specific Fund Revenue Assumptions**

**A. General Fund**

Fines, Licenses, and Permits - Fines, licenses, and permits receipts represent cable franchise fees and the collection of delinquent tickets. Cable franchise fees are 3 percent of gross receipts by the cable provider. No increase is anticipated in these revenues. The Village no longer has a police department.

Charges for Services - The Village rents a portion of their building to the Preble County District Library for \$50 per month. The Village also has a tent that they rent for various occasions such as weddings or reunions. No change in this revenue source is expected throughout the forecast period.

Donations - The Village receives donations for the Memorial Day event. No change in this revenue source is expected throughout the forecast period.

Interest - Interest receipts are very modest due to a small fund balance.

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**Note 5 - Specific Fund Revenue Assumptions** (continued)

Other - In 2012, the Village sold the police cruisers as reflected as other revenue. No miscellaneous receipts are anticipated throughout the forecast period.

**Note 6 - General Expenditure Assumptions - All Funds**

**A. Personal Services**

Personal services consist of salaries paid to the Fiscal Officer and elected officials of the Village. The Fiscal Officer is paid monthly. Village Council and the Mayor are paid annually. The Village does not provide any other form of compensation, such as paid leave.

The Village Council consists of six members with an annual salary of \$420. Village Council is paid from the General Fund.

The Mayor's current annual salary is \$1,000 and the Fiscal Officer's annual salary is \$9,100. The Mayor and Fiscal Officer are paid from the General Fund.

No increases for salaries are expected throughout the forecast period.

Benefits include employer contributions to the State pension system, workers' compensation, social security, and Medicare. The Village does not provide health care or any other insurance benefits.

The Mayor and Fiscal Officer participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent of their annual salary and the Village is required to contribute 14 percent of their annual salary. Council members pay into Social Security.

All elected officials and the Fiscal Officer are required to pay into Medicare. The Medicare contribution is 1.45 percent of their annual salary.

Workers' compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. A slight increase is expected annually.

**B. Contractual Services**

Contractual services include property and liability insurance, utility charges (telephone, internet, electricity, water, and sewer), postage, printing, advertising, professional dues, legal fees, auditor and treasurer fees, and accounting and auditing services.

For 2013 through 2017, property and liability insurance is anticipated to increase approximately 5 percent annually based upon historical trend.

Increases in various utility costs are projected to increase between 2 percent and 5 percent based upon historical trends.

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**Note 6 - General Expenditure Assumptions - All Funds** (continued)

Audit costs are forecasted every other year as reflected in the Mayor's contractual services expenditures. Election costs are also forecasted every other year as reflected in the Other Governmental contractual services expenditures.

**C. Supplies and Materials**

Supplies and materials expenditures include office supplies, operating supplies (salt and gasoline), and repair and maintenance costs. Supplies and materials are anticipated to increase approximately 5 percent per year based upon historical trends.

**D. Capital Outlay**

In 2014, the Village plans to repair the gazebo in the park, in the amount of \$1,000. In 2015, the Village plans to purchase trash receptacles for the park, in the amount of \$1,000.

**Note 7 - Other Funds**

The Village has several other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

**Note 8 - Pending Litigation**

The Village currently has no pending litigation.

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# Dave Yost • Auditor of State

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  
MAY 28, 2013