



**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

VILLAGE OF WEST MANCHESTER
PREBLE COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of West Manchester, Preble County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, except for the omission of receipt and disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001 and 2000, and its combined unclassified cash receipts and unclassified disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2002, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

September 5, 2002

VILLAGE OF WEST MANCHESTER
PREBLE COUNTY

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Total Cash Receipts	\$124,395	\$75,827	\$139,127	\$216,774	\$556,123
Cash Disbursements:					
Total Cash Disbursements	<u>93,105</u>	<u>77,091</u>	<u>128,999</u>	<u>260,871</u>	<u>560,066</u>
Total Receipts Over/(Under) Disbursements	31,290	(1,264)	10,128	(44,097)	(3,943)
Fund Cash Balances, January 1	<u>96,196</u>	<u>59,308</u>	<u>(10,126)</u>	<u>22,528</u>	<u>167,906</u>
Fund Cash Balances, December 31	<u>\$127,486</u>	<u>\$58,044</u>	<u>\$2</u>	<u>(\$21,569)</u>	<u>\$163,963</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,733</u>	<u>\$6,733</u>

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

VILLAGE OF WEST MANCHESTER
PREBLE COUNTY

COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE -
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Enterprise</u>
Operating Cash Receipts:	
Total Operating Cash Receipts	\$95,136
Operating Cash Disbursements:	
Total Operating Cash Disbursements	<u>65,096</u>
Net Receipts Over Disbursements	30,040
Fund Cash Balances, January 1	<u>40,327</u>
Fund Cash Balances, December 31	<u><u>\$70,367</u></u>

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

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Total Cash Receipts	\$119,217	\$117,335	\$20,000	\$75,425	\$331,977
Cash Disbursements:					
Total Cash Disbursements	<u>89,549</u>	<u>138,120</u>	<u>30,126</u>	<u>52,897</u>	<u>310,692</u>
Total Receipts Over/(Under) Disbursements	29,668	(20,785)	(10,126)	22,528	21,285
Fund Cash Balances, January 1	<u>66,528</u>	<u>80,093</u>	<u> </u>	<u> </u>	<u>146,621</u>
Fund Cash Balances, December 31	<u><u>\$96,196</u></u>	<u><u>\$59,308</u></u>	<u><u>(\$10,126)</u></u>	<u><u>\$22,528</u></u>	<u><u>\$167,906</u></u>

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

VILLAGE OF WEST MANCHESTER
PREBLE COUNTY

COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE -
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Enterprise</u>
Operating Cash Receipts:	
Total Operating Cash Receipts	\$95,223
Operating Cash Disbursements:	
Total Operating Cash Disbursements	<u>113,042</u>
Net Receipts Under Disbursements	(17,819)
Fund Cash Balances, January 1	<u>58,146</u>
Fund Cash Balances, December 31	<u><u>\$40,327</u></u>

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

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village did not properly classify its receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A) (effective July 1, 2000) and Ohio Administrative Code Section 117-5-11 (effective through June 30, 2000). These Ohio Administrative Code Sections require classifying receipts and disbursements.

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

C. Cash and Deposits

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

VILLAGE OF WEST MANCHESTER
PREBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Fund

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

3. Debt Service Fund

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

4. Capital Project Funds

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

Ohio Public Works Commission Fund

This fund receives grant proceeds. The proceeds are being used to construct a waste water treatment plant.

Fire Truck Reserve Fund

This fund received loan proceeds for the purchase of a fire truck.

5. Enterprise Funds

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

Water Fund

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

Utility Improvement Fund

This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion.

E. Budgetary Process

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

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law. However, there are no material unrecorded encumbrances at December 31, 2001, and 2000. A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$13,830	\$67,733
Certificates of deposit	220,500	140,500
Total deposits	<u>\$234,330</u>	<u>\$208,233</u>

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

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$185,000	\$124,395	(\$60,605)
Special Revenue	73,400	75,827	2,427
Debt Service	90,126	139,127	49,001
Capital Projects	76,485	216,774	140,289
Enterprise	154,425	82,136	(72,289)
Total	<u>\$579,436</u>	<u>\$638,259</u>	<u>\$58,823</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$172,550	\$80,105	\$92,445
Special Revenue	118,550	77,091	41,459
Debt Service	80,050	128,999	(48,949)
Capital Projects	60,050	267,604	(207,554)
Enterprise	91,850	65,096	26,754
Total	<u>\$523,050</u>	<u>\$618,895</u>	<u>(\$95,845)</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,600	\$113,156	\$39,556
Special Revenue	72,100	117,335	45,235
Debt Service	0	20,000	20,000
Capital Projects	130,000	45,425	(84,575)
Enterprise	145,200	79,298	(65,902)
Total	<u>\$420,900</u>	<u>\$375,214</u>	<u>(\$45,686)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$127,000	\$89,549	\$37,451
Special Revenue	168,750	138,120	30,630
Debt Service	30,150	30,126	24
Capital Projects	100,050	36,972	63,078
Enterprise	180,175	76,981	103,194
Total	<u>\$606,125</u>	<u>\$371,748</u>	<u>\$234,377</u>

The Village did not record or appropriate grant funds of \$193,476 received on their behalf through the Ohio Public Works Commission (OPWC) for the Wastewater Treatment Plant project during fiscal year 2001, which is contrary to Ohio Law. Also, the Village did not record or appropriate grant funds of \$29,500 received on their behalf through the Preble County Community Development Block Grant (CDBG) program during fiscal year 2000.

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$91,615	5.66%
Fire Truck Loan	7,550	6.00%
Land Acquisition Loan	<u>60,000</u>	7.00%
Total	<u><u>\$159,165</u></u>	

The Ohio Water Development Authority (OWDA) loan relates to a wastewater treatment plant project. The Village began work on a wastewater treatment plant in 1999. The Village received a loan for \$135,000 from the Ohio Water Development Authority (OWDA) to finance the engineering services portion of this project in 1999. Payment of this loan is reimbursement-based, i.e. the Village receives an invoice, pays it, and then sends the invoice to OWDA to be reimbursed. As of December 31, 2001, the Village has received \$91,615 from this loan. The loan does not have to be repaid until construction of the project begins, which did not occur before December 31, 2001. Consequently, an amortization schedule for the loan has not yet been established.

The fire truck commercial bank loan was obtained in 2000 for the purchase of a used fire truck. The loan will be repaid in semiannual installments of \$7,500 plus interest. The loan was paid in full in April 2002.

The land acquisition commercial bank loan was obtained in 2001 for the purchase of land for the sewer project. The loan is rolled over every 6 months and reissued for \$60,000 at 7%. The loan matures on 10/18/02 for \$62,105.75.

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

	<u>Fire Truck Loan</u>	<u>Land Acquisition Loan</u>
Year ending December 31: 2002	<u><u>\$8,003</u></u>	<u><u>\$62,094</u></u>

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. INTER-FUND ADVANCES

At December 31, 2001, the following prior period advances were outstanding: \$14,075 due to the Water Fund from the OPWC Fund; and \$38,557 due to the General Fund from the OWDA Fund.

10. COMPLIANCE

Contrary to Ohio law, actual receipts were below estimated receipts, and the actual disbursements plus encumbrances exceeded actual resources for the Utility Improvement Fund for 2000 (by \$15,040) and 2001 (by \$20,037) and for the OPWC fund for 2001 (by \$34,846).

Contrary to Ohio law, appropriations exceeded estimated resources for the Fire Fund (by \$51,181) and Debt Service Fund (by \$30,150) for 2000; and the Street Fund (by \$6,297), Fire Fund (by \$3,381), and Debt Service Fund (by \$50) for 2001.

Contrary to Ohio law, expenditures exceeded appropriations in 2001 for the following funds: State Highway (by \$826), Fire Truck Reserve (by \$16,129), Debt Service (by \$48,949), Water (by \$11,826), and OPWC (by \$191,424).

Contrary to Ohio law, at December 31, 2000, the OWDA Fund and Debt Service Fund had cash deficit balances of \$39,375 and \$10,126, respectively. At December 31, 2001, the OWDA Fund and OPWC Fund had cash deficit balances of \$20,037 and \$28,114, respectively.



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250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of West Manchester, Preble County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated September 5, 2002, which was qualified since the Village did not classify receipts and disbursements in its financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30368-001 through 2001-30368-007.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 5, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-30368-001 through 2001-30368-008.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2001-30368-001 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 5, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized, cursive script.

Jim Petro
Auditor of State

September 5, 2002

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-30368-001

Noncompliance/Material Weakness

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

- A. Local taxes were recorded at net rather than gross.
- B. The deductions for local tax settlements were posted to both the receipts ledger and the expenditure ledger.
- C. The receipts ledger did not reconcile to the cash journal for 2000 or 2001 because items were posted to the cash journal but not the receipts ledger.
- D. The appropriation ledger did not reconcile to the cash journal for 2000 or 2001 because items were posted to the cash journal but not the appropriation ledger.
- E. The annual financial reports for 2000 and 2001 did not agree to the receipt and appropriations ledgers.

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

Ohio Admin. Code, Section 117-2-02(A),* requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin. Code, Section 117-2-02(C), accounting records that can help achieve these objectives include:

- 1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- 2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
- 3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

FINDING NUMBER 2001-30368-001
(Continued)

Ohio Admin. Code, Section 117-9-01,* provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

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

*Prior to July 1, 2000, these requirements were included in Ohio Administrative Code, Section 117-5.

Also, the Village did not properly compile their annual reports for 2000 and 2001. The receipts and expenditure ledgers were used to reconstruct the annual reports. The receipts and expenditure ledgers did not reconcile to the cash journals for each fund. Several discrepancies requiring adjustments to the receipts and expenditure ledgers were noted. The Village did not use the correct beginning fund balances for 2000. Due to several posting errors, unclassified receipts and disbursements are shown.

The annual financial report should reflect the Village's accounting per the cash journal, receipts journal, and appropriation ledger. Errors were noted when tracing the annual report cash balances to the Village's books. The financial reports should reflect the exact amounts as recorded per the cash journal, receipt ledger, and appropriation ledger in order to assure the accuracy of the reports.

We recommend the Village take due care in the preparation and completion of the annual financial report. Since this report is the presentation of the Village's financial position, it is of the utmost importance that the report fairly and accurately presents the Village's true financial status.

FINDING NUMBER 2001-30368-002

Noncompliance/Reportable Condition

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

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

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

**FINDING NUMBER 2001-30368-002
 (Continued)**

- B. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

The Village did not properly certify the availability of funds for purchase commitments for 75% of expenditures tested and neither of the above two exceptions applied. Failure to properly certify the availability of funds can result in overspending available funds and negative cash fund balances.

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

FINDING NUMBER 2001-30368-003

Noncompliance/Reportable Condition

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

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

<u>Date</u>	<u>Fund</u>	<u>Resources Available</u>	<u>Expenditures plus Outstanding Encumbrances</u>	<u>Variance</u>
12/31/00	Utility Improvement	\$ 28,453	\$ 43,493	(\$15,040)
12/31/01	Utility Improvement	1,433	21,470	(20,037)
12/31/01	OPWC	216,628	251,474	(34,846)

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

FINDING NUMBER 2001-30368-004

Noncompliance/Reportable Condition

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

The appropriations exceeded estimated resources in the following funds.

FINDING NUMBER 2001-30368-004
(Continued)

<u>Date</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>
12/31/00	Fire	\$95,300	\$44,119	\$51,181
12/31/00	Debt Service	30,150	0	30,150
12/31/01	Street	52,200	45,903	6,297
12/31/01	Fire	62,750	59,369	3,381
12/31/01	Debt Service	80,050	80,000	50

We recommend the Village prepare amendments to the Certificate of Estimated Resources as necessary. The Certificate of Estimated Resources should be evaluated each time an appropriation amendment is made to determine there are adequate financial resources to cover anticipated expenditures.

FINDING NUMBER 2001-30368-005

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(B),* states no taxing authority shall make any expenditures of money unless it has been appropriated. Expenditures exceeded appropriations in the following funds for 2001:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
State Highway	\$550	\$1,376	(\$826)
Fire Truck Reserve	0	16,129	(16,129)
Debt Service	80,050	128,999	(48,949)
Water	31,800	43,626	(11,826)
OPWC	60,050	251,474	(191,424)

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

FINDING NUMBER 2001-30368-006

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.09(F), requires the Village to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Village's appropriations.

As further discussed in Auditor of State Bulletin 2000-008, the Clerk shall record the appropriations in accordance with the terms and conditions of the on-behalf grant or project agreement. In addition, prior to Village of West Manchester recording the appropriations, Ohio Rev. Code, Section 5705.40, requires the legislative authority to pass a resolution amending its appropriation measure.

The Clerk did not record the Ohio Public Works Commission (OPWC) monies disbursed on behalf of the Village for 2001, nor the Community Development Block Grant (CDBG) monies for 2000. The grant monies were not included in the appropriations by the Village Council for the audit period. The accompanying financial statements have been adjusted to reflect receipts and disbursements of \$193,476 (OPWC) for the year ended December 31, 2001, and \$29,500 (CDBG) for the year ended December 31, 2000.

We recommend the Village follow the accounting treatment as prescribed in Auditor of State Bulletins 2000-008 for on-behalf grants and 2002-004 for OPWC grants.

FINDING NUMBER 2001-30368-007

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.10, states that money that is paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The Village had negative fund balances in the OWDA fund of \$39,375 and the Debt Service fund by \$10,126 for 2000 and the OWDA fund by \$20,037 and the OPWC fund by \$28,114 for 2001. Failure to properly monitor fund balances and expenditures can result in the illegal expenditure of money. We recommend that the Village properly monitor expenditures and available fund balances to prevent negative fund balances.

FINDING NUMBER 2001-30368-008

Reportable Condition

The Village did not reconcile between the bank balance and the Village's fund balances. Failure to reconcile on a regular basis could result in undetected errors between the book and the bank. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well as, ensure that all recorded transactions have been deposited with the financial institution.

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

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**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30368-001	Revised Code 135.18, failure to maintain sufficient collateral	YES	
1999-30368-002	Administrative Code 117-5, failure to follow uniform system of accounting	NO	This code section no longer applies to villages.
1999-30368-003	Revised Code 5705.41(D), failure to certify funds	NO	Not corrected – reissued as Finding Number 2001-30368-002.
1999-30368-004	Revised Code 733.28, failure to maintain accurate books and financials statements	NO	Not corrected – reissued as Finding Number 2001-30368-001.
1999-30368-005	The Village did not complete monthly reconciliations.	NO	Not corrected – reissued as Finding Number 2001-30368-008.
1999-30368-006	Revised Code 117.28, finding against former fire chief	NO	Finding was not repaid.
Management Letter Citation #7	Revised Code 5705.39, appropriations exceeded estimated revenue	NO	Not corrected – reissued as Finding Number 2001-30368-004
Management Letter Citation #8	Revised Code 5705.41(B), expenditures exceeded appropriations	NO	Not corrected – reissued as Finding Number 2001-30368-005
Management Letter Citation #14	Revised Code 5705.10, negative cash fund balance	NO	Not corrected – reissued as Finding Number 2001-30368-007
Management Letter Recommendation #19	The Village did not complete monthly reconciliations.	NO	Not corrected – reissued as Finding Number 2001-30368-008
Management Letter Recommendation #20	The Village did not accurately complete the annual financial report.	NO	Not corrected – reissued as Finding Number 2001-30368-001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF WEST MANCHESTER

PREBLE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 8, 2002**