



Mary Taylor, CPA  
Auditor of State



VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY

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# Mary Taylor, CPA

Auditor of State

Village of West Alexandria  
Preble County  
16 North Main Street  
West Alexandria, Ohio 45381

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Mary Taylor, CPA**  
Auditor of State

July 11, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of West Alexandria  
Preble County  
16 North Main Street  
West Alexandria, Ohio 45381

To the Village Council:

We have audited the accompanying financial statements of the Village of West Alexandria, Preble County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of West Alexandria, Preble County, Ohio as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

July 11, 2007



**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$114,909	\$315,874		\$430,783
Special Assessments		17,865		17,865
Intergovernmental Receipts	133,094	256,699	\$209,004	598,797
Charges for Services		393,933		393,933
Fines, Licenses, and Permits	9,550	350		9,900
Earnings on Investments	11,988	633		12,621
Miscellaneous	15,563	1,288		16,851
<b>Total Cash Receipts</b>	<u>285,104</u>	<u>986,642</u>	<u>209,004</u>	<u>1,480,750</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	196,641	421,028		617,669
Public Health Services	3,439			3,439
Leisure Time Activities	2,591			2,591
Community Environment	5,183			5,183
Basic Utility Services		132,814		132,814
Transportation		104,178		104,178
General Government	140,800	29,928		170,728
Debt Service:				
Principal Payments	25,805	123,595	40,000	189,400
Interest Payments	1,290	5,949		7,239
Financing and Other Debt-Service Related		100		100
Capital Outlay	5,181	166,675	1,617,935	1,789,791
<b>Total Cash Disbursements</b>	<u>380,930</u>	<u>984,267</u>	<u>1,657,935</u>	<u>3,023,132</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(95,826)</u>	<u>2,375</u>	<u>(1,448,931)</u>	<u>(1,542,382)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Proceeds from Ambulance Loan		53,000		53,000
Proceeds from Fire Truck Loan		102,134		102,134
Proceeds from OWDA Loans			1,448,931	1,448,931
Transfers-In	150,000	54,000		204,000
Transfers-Out		(204,000)		(204,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>150,000</u>	<u>5,134</u>	<u>1,448,931</u>	<u>1,604,065</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	54,174	7,509	0	61,683
Fund Cash Balances, January 1	88,497	353,330	1,500	443,327
<b>Fund Cash Balances, December 31</b>	<u><b>\$142,671</b></u>	<u><b>\$360,839</b></u>	<u><b>\$1,500</b></u>	<u><b>\$505,010</b></u>
Reserves for Encumbrances, December 31	<u>\$28,707</u>	<u>\$42,532</u>	<u>\$0</u>	<u>\$71,239</u>

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

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Operating Cash Receipts:</b>	
Charges for Services	\$574,382
Fees, Licenses, and Permits	3,750
Miscellaneous	<u>110</u>
Total Operating Cash Receipts	<u>578,242</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	149,313
Transportation	3,849
Contractual Services	186,627
Supplies and Materials	<u>63,996</u>
Total Operating Cash Disbursements	<u>403,785</u>
Operating Income	<u>174,457</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	<u>27,679</u>
Total Non-Operating Cash Disbursements	<u>27,679</u>
Net Receipts Over Disbursements	146,778
Fund Cash Balances, January 1	<u>480,839</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$627,617</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$54,322</u></u>

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

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$120,139	\$251,954		\$372,093
Special Assessments		16,221		16,221
Intergovernmental Receipts	122,242	124,343	\$127,924	374,509
Charges for Services		375,087		375,087
Fines, Licenses, and Permits	4,999	210		5,209
Earnings on Investments	8,358	260		8,618
Miscellaneous	7,756	1,465		9,221
	<u>263,494</u>	<u>769,540</u>	<u>127,924</u>	<u>1,160,958</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	190,064	452,390		642,454
Public Health Services	3,439	600		4,039
Leisure Time Activities	14,661			14,661
Community Environment	4,454			4,454
Basic Utility Services		15,616		15,616
Transportation		93,115		93,115
General Government	121,235	22,320		143,555
Debt Service:				
Principal Payments	34,100	141,000		175,100
Interest Payments	1,705	4,514		6,219
Financing and Other Debt-Service Related		82		82
Capital Outlay	2,000	25,813	132,365	160,178
	<u>371,658</u>	<u>755,450</u>	<u>132,365</u>	<u>1,259,473</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>(108,164)</u>	<u>14,090</u>	<u>(4,441)</u>	<u>(98,515)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Proceeds from Police Cruisers Loan	25,805			25,805
Proceeds from Fire Truck Loan		123,595		123,595
Proceeds from OPWC Loan			4,441	4,441
Transfers-In	115,130	136,836		251,966
Transfers-Out		(251,966)		(251,966)
Sale of Fixed Assets		11,000		11,000
	<u>140,935</u>	<u>19,465</u>	<u>4,441</u>	<u>164,841</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	32,771	33,555	0	66,326
Restated Fund Cash Balances, January 1 (See Note 10)	<u>55,726</u>	<u>319,775</u>	<u>1,500</u>	<u>377,001</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$88,497</u></b>	<b><u>\$353,330</u></b>	<b><u>\$1,500</u></b>	<b><u>\$443,327</u></b>
Reserves for Encumbrances, December 31	<u>\$20,724</u>	<u>\$20,960</u>	<u>\$0</u>	<u>\$41,684</u>

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

VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$577,641</u>
Total Operating Cash Receipts	<u>577,641</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	148,011
Transportation	3,826
Contractual Services	197,661
Supplies and Materials	<u>63,616</u>
Total Operating Cash Disbursements	<u>413,114</u>
Operating Income	<u>164,527</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	<u>40,063</u>
Total Non-Operating Cash Disbursements	<u>40,063</u>
Net Receipts Over Disbursements	124,464
Fund Cash Balances, January 1	<u>356,375</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$480,839</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$59,638</u></u>

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

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of West Alexandria, Preble County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, police, fire, and ambulance services.

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

**B. Accounting Basis**

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Deposits**

The Village values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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.

Ambulance Operating Fund -This fund receives money from contracts with other entities for services, Village income taxes, and the individuals using the ambulance service. Expenditures are for maintaining and operating the Village emergency squad.

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

Fire Operating Fund – This fund receives money from contracts with other entities for services and Village income taxes. Expenditures are for maintaining and operating the Village fire department.

Income Tax Fund – This fund receives local income tax receipts. According to municipal ordinances, receipts are then allocated to the General Fund and other Special Revenue Funds by Council.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Distress Grant Fund - This fund receives proceeds from a Community Development Block Grant (CDBG) Distress Grant from Preble County. The proceeds are being used for street improvements.

Water Treatment Plant Fund – This fund receives proceeds from an Ohio Public Works Commission loan and an Ohio Water Development Authority loan. The proceeds are being used to construct a water treatment system.

**4. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

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

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

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

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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

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

	2006	2005
Demand deposits	\$1,090,094	\$831,633
Certificates of deposit	42,333	92,333
Total deposits	1,132,427	923,966
Cash on hand	200	200
Total deposits and cash on hand	\$1,132,627	\$924,166

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

Contrary to Ohio law, the Village's deposits at Eaton National Bank were not adequately covered by collateral 13 out of 24 months during the audit period. During the audit period deposits exceeded legal security (FDIC) by up to \$113,159.

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$395,823	\$435,104	\$39,281
Special Revenue	1,105,260	1,195,776	90,516
Capital Projects	2,570,714	1,657,935	(912,779)
Enterprise	565,000	578,242	13,242
Total	\$4,636,797	\$3,867,057	(\$769,740)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$484,293	\$409,637	\$74,656
Special Revenue	1,442,596	1,230,799	211,797
Capital Projects	2,572,215	1,657,935	914,280
Enterprise	1,045,839	485,786	560,053
Total	\$5,544,943	\$3,784,157	\$1,760,786

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$366,157	\$404,429	\$38,272
Special Revenue	753,889	1,040,971	287,082
Capital Projects	1,516,579	132,365	(1,384,214)
Enterprise	543,000	577,641	34,641
Total	\$3,179,625	\$2,155,406	(\$1,024,219)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$423,402	\$392,382	\$31,020
Special Revenue	1,030,065	1,028,376	1,689
Capital Projects	1,518,079	132,365	1,385,714
Enterprise	899,375	512,815	386,560
Total	\$3,870,921	\$2,065,938	\$1,804,983

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for various funds and line items during the audit period.



**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each May 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Per Village Ordinance 479 the allocation of income tax funds for the purpose of general operations, maintenance, new equipment, extension and enlargement of municipal services and facilities, and capital improvements, shall be determined by Council. Transfers of income tax monies to other funds are approved via Council resolution.

**6. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #3997	\$13,525	0.00%
Ohio Water Development Authority Loan #4419	\$1,440,405	0.00%
Ohio Public Works Commission Loan CK24C	\$28,539	0.00%
Ohio Public Works Commission Loan CK09E	\$263,473	0.00%
Sewer Improvement Loan	24,117	4.00%
Fire Truck Loan	102,134	5.28%
Ambulance Loan	53,000	4.50%
Total	<u>\$1,925,193</u>	

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. DEBT (Continued)**

Ohio Water Development Authority (OWDA) Loan #3997 for \$25,000 was obtained in 2003 for the design of a wastewater system. As of December 31, 2006, the Village has drawn \$18,525 of the available loan monies (principal of \$5,000 was paid during the audit period). Beginning in 2006 the loan is being repaid in annual installments of \$2,500 over 10 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Ohio Water Development Authority (OWDA) Loan #4419 for \$2,048,857 was obtained in 2005 for water treatment plant improvements. As of December 31, 2006, the Village has drawn \$1,440,405 of the available loan monies. An amortization schedule will be established upon completion of the project. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village was awarded \$33,575 by the Ohio Public Works Commission (OPWC) on July 7, 1999, for the Lanier waterline and booster pump project (CK24C). The loan is being repaid in semi-annual installments of \$839 over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Village was awarded \$272,000 by the Ohio Public Works Commission (OPWC) on July 1, 2001, for the Lanier waterline and booster pump project (CK09E). As of December 31, 2006, the Village has drawn \$263,473 of the available loan monies. The loan will be repaid in semi-annual installments of \$6,800 over a period of 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Village obtained a commercial loan in 2003 for \$100,000. The loan proceeds were used to finance improvements to the sewer system. The loan is being repaid in annual installments of \$22,498, including interest, over 5 years. This loan is unsecured.

The Village obtained a commercial loan in 2004 for \$141,000. The loan proceeds were used to purchase a fire truck. The Village renewed the loan on June 18, 2005, and June 20, 2006. A maturity payment of \$107,601, including interest, is due on June 20, 2007. The loan is collateralized by the fire truck.

The Village obtained a commercial loan in 2006 for \$53,000. The loan proceeds were used to purchase an ambulance. A maturity payment of \$55,385, including interest, is due on October 6, 2007. The loan is collateralized by the ambulance.

Amortization of the above debt, including interest, follows:

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. DEBT (Continued)**

Year ending December 31:	OWDA Loan #3997	OPWC CK24C	OPWC CK09E	Sewer Improvement Loan
2007		\$1,679	\$13,600	\$22,498
2008	2,500	1,679	13,600	7,524
2009	2,500	1,679	13,600	
2010	2,500	1,679	13,600	
2011	2,500	1,679	13,600	
2012-2016	10,000	8,393	68,000	
2017-2021		8,393	68,000	
2022-2026		3,358	68,000	
Total	<u>\$20,000</u>	<u>\$28,539</u>	<u>\$272,000</u>	<u>\$30,022</u>

Year ending December 31:	Fire Truck Loan	Ambulance Loan
2007	\$107,601	\$55,385
2008		
2009		
2010		
2011		
2012-2016		
Total	<u>\$107,601</u>	<u>\$55,385</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**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. RELATED PARTY TRANSACTION**

The Village paid \$6,140 in 2006 to Ralph Habekost (Heartland Pavers) for paving bricks used in the Village's downtown area. Ralph Habekost is the nephew of one of the council members.

**10. PRIOR PERIOD ADJUSTMENT**

The Village has outside bank accounts for their EMS billing services. The activity from these bank accounts was not posted to the Village's books for 2003 and 2004. Audit adjustments were made to the accompanying financial statements to correctly record the bank account activity for the current audit period. These adjustments were posted to the Ambulance Fund, a Special Revenue Fund.

Special Revenue Fund Balance at December 31, 2004	\$296,390
Adjustment for Bank Activity	<u>23,385</u>
Restated Special Revenue Fund Balance at December 31, 2004	<u><u>\$319,775</u></u>



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of West Alexandria  
Preble County  
16 North Main Street  
West Alexandria, Ohio 45381

To the Village Council:

We have audited the financial statements of the Village of West Alexandria, Preble County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated July 11, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

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

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-004 and 2006-005.

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

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-005 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated July 11, 2007.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-003.

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



**Mary Taylor, CPA**  
Auditor of State

July 11, 2007

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-001**

**Material Noncompliance**

**Ohio Revised Code, § 135.18**, requires that the treasurer of a political subdivision must require the designated depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities. The Village's deposits at Eaton National Bank were not adequately covered by collateral 13 out of 24 months during the audit period. During the audit period deposits exceeded legal security (FDIC) by up to \$113,159. Failure to adequately collateralize deposits can result in loss of funds. We recommend that the Village implement procedures to verify that depository balances are adequately secured by eligible collateral at all times.

**FINDING NUMBER 2006-002**

**Material Noncompliance**

**Ohio Revised Code, § 5705.41(B)**, states no taxing authority shall make any expenditure of money unless it has been appropriated as provided in Chapter 5705. Expenditures exceeded appropriations during the audit period as follows:

Month	Account Code/Fund	Appropriations	YTD Expenditures + Encumbrances	Variance
March 2005	217-505-230-00	\$3,695.00	\$4,353.86	\$(658.86)
July 2005	101-707-234-00	3,500.00	3,811.15	(311.15)
July & September 2005	101-803-260-00	10,000.00	35,805.00	(25,805.00)
July & September 2005	216-803-260-00	38,510.46	145,595.52	(107,085.06)
December 2005	205-603-234-00/ Federal Grants Fund	0	6,789.00	(6,789.00)
December 2005	Ambulance Fund	178,637.03	298,664.22	(120,027.19)
September 2006	406-852-234-00	0	61,680.00	(61,680.00)

The negative variance for the Ambulance Fund at December 2005 was due to audit adjustments.

Expenditures in excess of appropriations could result in negative fund cash balances. We recommend that Village personnel and Council review expenditures and appropriations on a monthly basis and make amendments as required.

We also reported this matter in the management letter of our audit of the 2003 and 2004 financial statements.

### FINDING NUMBER 2006-003

#### Material Noncompliance

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

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

- A. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) maybe paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

- B. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- C. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

For 2005, 17% percent of the transactions tested were not properly certified at the time the commitment was incurred; for 2006, 13% percent of the transactions tested were not properly certified at the time the commitment was incurred. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.



**FINDING NUMBER 2006-003  
(Continued)**

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

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

**FINDING NUMBER 2006-004**

**Significant Control Deficiency**

When designing the public office's system of internal control and the specific control activities, management should:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- Monitor activities performed by service organizations.

The Village has delegated ambulance service billing processing, which is a significant accounting function, to a third-party administrator. The Village has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that ambulance service billing as not been completely and accurately processed in accordance with the service contract.

We recommend the Village implement procedures to reasonably assure the completeness and accuracy of ambulance service billings processed by their third-party administrator. Statement of Auditing Standards No. 70 (SAS 70) as amended by SAS No. 89, prescribes standards for reporting on the processing of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the Village with an appropriate level of assurance that ambulance service billing is being processed in conformance with the contract.

**FINDING NUMBER 2006-004  
(Continued)**

We recommend that the Village specify in their contract with the third-party administrator that an annual Tier II SAS 70 audit report be performed. The Village should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide you with a Tier II SAS 70 report, we recommend you only contract with a third-party administrator that will provided such a report.

We further recommend, with or without a SAS 70 report as described above, that the Village put into place internal control measures to monitor the ambulance service billing process. The Village receives monthly EMS billing reports from MBI Solutions/Healthserve. However, there is no documentation of supervisory review of these monthly reports nor are the monthly reports agreed to the monthly bank statements. To improve internal controls we recommend that the Village document their review of the monthly billing reports received from MBI/Healthserve. The monthly billing reports should be marked with the reviewer's initials (or signature) and the date. The monthly billing reports should also be compared to the EMS run sheets or run logs to ensure they are accurate and complete.

**FINDING NUMBER 2006-005**

**Material Weakness**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements

The Village EMS Department has separate bank accounts for ambulance billings. Not all of the activity from these accounts was reflected in the Village's financial records or statements. All such activity should have been included within the Ambulance Fund in order to conform with the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. The following activity was posted to the financial statements for the audit period:

**Ambulance Fund – 2005:**

Beginning Fund Balance	\$23,385.13
Charges for Services	105,960.53
Security of Persons & Property	<u>(113,332.55)</u>
Ending Fund Balance	\$16,013.11

**Ambulance Fund – 2006:**

Beginning Fund Balance	\$16,013.11
Charges for Services	13,797.59
Security of Persons & Property	<u>(8,707.07)</u>
Ending Fund Balance	\$21,103.63

Failure to record all financial activity for the above mentioned fund could result in misappropriation of funds and inaccurate reporting of Village activity. We recommend all ambulance billing receipts and expenditures be accounted for on the Village's financial records. The EMS Department records should be reconciled with the bank activity on a monthly basis. The Village Clerk/Treasurer should be provided with copies of the monthly bank statements and any other documentation necessary in order to correctly post the ambulance billing transactions to the Village's books. Audit adjustments for this activity were made to the accompanying financial statements.

**FINDING NUMBER 2006-005  
(Continued)**

**Officials' Response:**

We did not receive a response from Officials to these findings.





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF WEST ALEXANDRIA**

**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  
JULY 24, 2007**