



Mary Taylor, CPA
Auditor of State

VILLAGE OF WEST ELKTON
PREBLE COUNTY

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Mary Taylor, CPA
Auditor of State

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

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.

Mary Taylor

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November 18, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of West Elkton, Preble County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. The Auditor of State served during the years ended December 31, 2008 and 2007 as the Village's financial supervisor under Ohio Revised Code § 118.05 (G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Revised Code § 118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

The Auditor of State has billed the Village of West Elkton approximately \$49,991 for audit services provided for fiscal years ending December 31, 1999 through December 31, 2008 and as of the date of this report, \$43,106 remains unpaid. AICPA Code of Professional Conduct, Section 100, ET Section 191 normally considers unpaid audit fees related to periods more than one year prior to the current period under audit to impair the independence of the Auditor of State. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions for the collection of unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located. 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, 2008 and 2007 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, 2008 and 2007, or its changes in financial position 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 of the Village of West Elkton, Preble County, Ohio as of December 31, 2008 and 2007, 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 November 18, 2009, 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

November 18, 2009

**VILLAGE OF WEST ELKTON
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Local Taxes	\$5,147	\$4,691	\$0	\$9,838
Municipal Income Tax	28,143			28,143
Intergovernmental	24,094	14,437		38,531
Charges for Services	500			500
Fines, Licenses and Permits	2,627			2,627
Earnings on Investments	202	596		798
Miscellaneous	4,547	7,454		12,001
	<u>65,260</u>	<u>27,178</u>	<u>0</u>	<u>92,438</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	1,454	7,227		8,681
Leisure Time Activities	747	4,448		5,195
Transportation		40,303		40,303
General Government	38,758	58		38,816
Debt Service:				
Redemption of Principal	7,658			7,658
Interest and Fiscal Charges	423			423
	<u>49,040</u>	<u>52,036</u>	<u>0</u>	<u>101,076</u>
Total Receipts Over/(Under) Disbursements	<u>16,220</u>	<u>(24,858)</u>	<u>0</u>	<u>(8,638)</u>
Other Financing Receipts / (Disbursements):				
Loan Proceeds	7,081			7,081
Transfers In		845		845
Transfers Out	(845)			(845)
Other Financing Uses		(982)		(982)
	<u>6,236</u>	<u>(137)</u>	<u>0</u>	<u>6,099</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	22,456	(24,995)	0	(2,539)
Fund Cash Balances, January 1	<u>5,740</u>	<u>61,706</u>	<u>334</u>	<u>67,780</u>
Fund Cash Balances, December 31	<u>\$28,196</u>	<u>\$36,711</u>	<u>\$334</u>	<u>\$65,241</u>

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

VILLAGE OF WEST ELKTON
PREBLE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	<u>\$1,441</u>
Total Non-Operating Cash Receipts	<u>1,441</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>2,991</u>
Total Non-Operating Cash Disbursements	<u>2,991</u>
Net Receipts Over Disbursements	(1,550)
Fund Cash Balances, January 1	<u>1,633</u>
Fund Cash Balances, December 31	<u><u>\$83</u></u>

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

**VILLAGE OF WEST ELKTON
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Local Taxes	\$4,818	\$4,012		\$8,830
Municipal Income Tax	23,847			23,847
Intergovernmental	26,404	17,511	\$20,000	63,915
Charges for Services	300			300
Fines, Licenses and Permits	3,752			3,752
Earnings on Investments	44	357		401
Miscellaneous	5,105	8,547		13,652
	<u>64,270</u>	<u>30,427</u>	<u>20,000</u>	<u>114,697</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	3,838	11,647		15,485
Leisure Time Activities	1,067	1,875		2,942
Transportation		5,353		5,353
General Government	38,719	6,304		45,023
Debt Service:				
Redemption of Principal	10,280			10,280
Interest and Fiscal Charges	523			523
Capital Outlay			20,000	20,000
	<u>54,427</u>	<u>25,179</u>	<u>20,000</u>	<u>99,606</u>
Total Cash Disbursements				
	<u>54,427</u>	<u>25,179</u>	<u>20,000</u>	<u>99,606</u>
Total Receipts Over Disbursements	<u>9,843</u>	<u>5,248</u>	<u>0</u>	<u>15,091</u>
Other Financing Receipts / (Disbursements):				
Loan Proceeds	7,497			7,497
Other Financing Uses		(493)		(493)
	<u>7,497</u>	<u>(493)</u>	<u>0</u>	<u>7,004</u>
Total Other Financing Receipts / (Disbursements)				
	<u>7,497</u>	<u>(493)</u>	<u>0</u>	<u>7,004</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	17,340	4,755	0	22,095
Fund Cash Balances, January 1	(11,600)	56,951	334	45,685
Fund Cash Balances, December 31	<u>\$5,740</u>	<u>\$61,706</u>	<u>\$334</u>	<u>\$67,780</u>

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

VILLAGE OF WEST ELKTON
PREBLE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	<u>\$4,808</u>
Total Non-Operating Cash Receipts	<u>4,808</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>4,951</u>
Total Non-Operating Cash Disbursements	<u>4,951</u>
Net Receipts Over Disbursements	(143)
Fund Cash Balances, January 1	<u>1,776</u>
Fund Cash Balances, December 31	<u><u>\$1,633</u></u>

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

**VILLAGE OF WEST ELKTON
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

PEP is a risk-sharing pool available to Ohio local governments, which provides property and casualty coverage for its members.

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. The Village 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

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

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF WEST ELKTON
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

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

Ambulance Fund – This fund receives money from real estate and personal property tax to provide emergency medical services to area citizens.

3. Capital Project Fund

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

Rural Development Sewer Fund – This fund receives bank loan proceeds, Ohio Water Development Authority loan proceeds, and Ohio Public Works monies for the construction of a wastewater treatment plant.

4. Fiduciary Fund (Agency Fund)

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

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village 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.

**VILLAGE OF WEST ELKTON
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual 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.

A summary of 2008 and 2007 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.

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:

	2008	2007
Demand Deposits	\$65,324	\$69,413

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$54,155	\$72,341	\$18,186
Special Revenue	30,815	28,023	(2,792)
Capital Projects	0	0	0
Total	\$84,970	\$100,364	\$15,394

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,623	\$49,885	(\$262)
Special Revenue	52,405	53,018	(613)
Capital Projects	0	0	0
Total	\$102,028	\$102,903	(\$875)

**VILLAGE OF WEST ELKTON
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,531	\$71,767	\$27,236
Special Revenue	28,506	30,427	1,921
Capital Projects	0	20,000	20,000
Total	\$73,037	\$122,194	\$49,157

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$50,999	\$54,427	(\$3,428)
Special Revenue	19,401	25,672	(6,271)
Capital Projects	0	20,000	(20,000)
Total	\$70,400	\$100,099	(\$29,699)

Contrary to Ohio law, in 2007 appropriations exceeded estimated resources as follows: General Fund (\$19,186), Fire Fund (\$120), and Ambulance Fund (\$1,816).

Contrary to Ohio law, in 2007 expenditures exceeded appropriations as follows: General Fund (\$3,427), Street Fund (\$5,684), Parks & Recreation Fund (\$1,875), and Capital Projects Fund (\$20,000). For 2008, expenditures exceeded appropriations as follows: General Fund (\$262), Street Fund (\$2,654), and Fire Fund (\$111).

Contrary to Ohio law, the General Fund had a negative balance from January 1, 2007 to September 4, 2007 [the highest negative balance was \$20,990 on April 25, 2007]. The Police Fund had a negative fund balance of \$1,305 at December 31, 2008.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

**VILLAGE OF WEST ELKTON
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

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's tax administrator either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Park/Water Treatment Plant Loan	\$7,081	5.75%

At December 31, 2006, the Village had a police cruiser loan with an outstanding principal balance of \$1,494. The Village paid off this loan in 2007.

The park loan was originally obtained on February 1, 1999 for the purpose of renovating the park in corroboration with a grant from NatureWorks. The water treatment plant loan was obtained on October 23, 1996, for the purpose of procuring land. Each of these loans was renewed on January 31, 2003 [park loan for \$22,416; water treatment plant loan for \$8,969]. The Village obtained a note consolidation loan on May 1, 2003, to combine and refinance these two loans in the total amount of \$31,385. The loan had an interest rate of 6.25%. Monthly payments of interest plus principal of \$523 were due. The loan was due to mature on May 15, 2008. However, the Village refinanced the remaining balance of the loan for \$7,497 in March 2007. The Village renewed the loan in March 2008 for \$7,081. The loan is unsecured. The maturity date of the renewed loan was March 21, 2009. The Village paid off the loan in March 2009.

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

	Park/Water Treatment Plant Loan
Year ending December 31: 2009	7,488
Total	\$7,488

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007 OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Village has not paid all contributions required through December 31, 2008.

**VILLAGE OF WEST ELKTON
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF WEST ELKTON
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. Risk Management (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$5,417. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2005	\$5,589
2006	\$6,437
2007	\$5,990

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF WEST ELKTON
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

9. Compliance

Contrary to Ohio law:

- The Village did not record on behalf Community Development Block Grant monies.

10. Fiscal Emergency

The Village was unable to pay certain obligations at December 31, 2008. A summary follows:

- The Village had a negative fund balance of (\$1,305) in the Police Fund at December 31, 2008.
- The Auditor of State billed the Village for audit services provided for prior fiscal years and the current audit period ended December 31, 2008 and 2007. As of the date of this report, the Village has been billed a total of \$49,991 for the current audit and has yet to pay \$43,106 including current and prior periods.
- Pursuant to Ohio Revised Code, Section 118.03, the Village was declared to be in fiscal emergency, effective September 16, 2004. AOS Local Government Services was designated as the Village's fiscal advisor.
- As part of Management's Plan to emerge from fiscal emergency the Village Council has imposed an income tax, see Note 5.



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 Elkton
Preble County
135 North Main Street
P.O. Box 180
West Elkton, Ohio 45070

To the Village Council:

We have audited the financial statements of the Village of West Elkton, Preble County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated November 18, 2009 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 also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

The Auditor of State served during the years ended December 31, 2008 and 2007 as the Village's financial supervisor under Ohio Revised Code § 118.05 (G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Revised Code §118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

The Auditor of State has billed the Village of West Elkton approximately \$49,991 for audit services provided for fiscal years ending December 31, 1999 through December 31, 2008 and as of the date of this report, \$43,106 remains unpaid. AICPA Code of Professional Conduct, Section 100, ET Section 191 normally considers unpaid audit fees related to periods more than one year prior to the current period under audit to impair the independence of the Auditor of State. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions for the collection of unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located. 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 findings 2008-001, 2008-004 and 2008-005 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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.

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. Of the significant deficiencies described above, we believe findings number 2008-001 and 2008-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated November 18, 2009.

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 2008-002, 2008-003, and 2008-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 18, 2009.

Village of West Elkton
Preble County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 3

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 18, 2009

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**VILLAGE OF WEST ELKTON
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village lacks management oversight in the posting of financial activity. This lack of oversight is illustrated by the following:

- In 2007 the Fiscal Officer posted real property tax receipts at net rather than gross in the General Fund (\$1,206), Fire Fund (\$25), Police Fund (\$34), and Ambulance Fund (\$46).
- In 2007 the Fiscal Officer posted public utility reimbursements to Taxes rather than Intergovernmental in the General Fund (\$51), Fire Fund (\$19), Police Fund (\$44), and Ambulance Fund (\$26).
- In 2007 the Fiscal Officer posted homestead/rollback receipts in the General Fund (\$423), Fire Fund (\$126), Police Fund (\$354), and Ambulance Fund (\$239) to Taxes rather than Intergovernmental. Furthermore, of the amounts listed above, the Fiscal Officer incorrectly posted monies to the Fire Fund (\$8) and Police Fund (\$187) rather than the General Fund (\$195).
- In 2007 the Fiscal Officer posted real property tax (\$887) to the Police Fund rather than the Ambulance Fund.
- In 2008 the Fiscal Officer posted real property tax receipts in the General Fund (\$2,754) to Intergovernmental rather than Taxes.
- In 2008 the Fiscal Officer posted homestead/rollback receipts in the General Fund (\$255), Fire Fund (\$76), Police Fund (\$214), and Ambulance Fund (\$145) to Taxes rather than Intergovernmental. Furthermore, of the amounts listed above, the Fiscal Officer incorrectly posted monies to the Fire Fund (\$8) and Police Fund (\$231) rather than the General Fund (\$239).
- In 2008 the Fiscal Officer posted gasoline tax (\$48) to the Street Fund rather than the State Highway Fund.
- In 2008 the Fiscal Officer posted auto license tax to the General Fund (\$137) rather than the Street Fund (\$127) and State Highway Fund (\$10).
- In 2008 the Fiscal Officer posted transfers of monies from the General Fund to the Police Fund (\$828) and Law Enforcement Trust Fund (\$17) as fund balance adjustments. The Fiscal Officer should have posted these transactions as Transfers In/Out rather than fund balance adjustments.
- In 2007 the Village obtained a new loan at Twin Valley Bank [#5067174]. The Village used the proceeds from this loan to pay off the park/water treatment plant loan at First Financial Bank [#2230019798]. The Village did not record the principal pay off (\$7,347), loan fee (\$150), or loan proceeds (\$7,497).

**FINDING NUMBER 2008-001
 (Continued)**

- In 2008 the Village renewed the loan at Twin Valley Bank. The Village did not record the principal pay off or loan proceeds (\$7,081).

Adjustments were needed to properly classify the monies received. The accompanying financial statements for 2007 and 2008 include total adjustments as follows:

	2007	2008
General Fund – General Government Expenditures	\$1,206	
General Fund – Taxes	732	\$2,499
General Fund – Transfers Out		845
General Fund – Intergovernmental	669	(2,396)
General Fund – Debt Service Principal	7,347	7,081
General Fund – Interest & Fiscal Charges	150	
General Fund – Loan Proceeds	7,497	7,081
Special Revenue Funds – General Government Expenditures	105	
Special Revenue Funds – Taxes	(704)	(435)
Special Revenue Funds – Intergovernmental	613	332
Special Revenue Funds – Transfers In		845

The net adjustments made to each fund balance is as follows:

Fund	2007	2008
General Fund	\$195	\$102
Street Fund		78
State Highway Fund		59
Fire Fund	(8)	(8)
Police Fund	(1,074)	(231)
Ambulance Fund	887	

The Village posted the above fund balance adjustments to their accounting system.

The Village lacks management oversight in the posting of estimated receipts and appropriations. The appropriations posted to the UAN system do not match the permanent appropriations plus approved amendments. The Village made supplemental appropriations during the audit period. However, Council did not approve most of the supplemental appropriations. Council approved supplemental appropriations in the minutes on October 16, 2008 and December 9, 2008. However, no detail of the supplemental appropriations was included in the minutes. The changes approved on December 9, 2008 made reference to Resolution 26-08. However, this resolution was not in the resolution/ordinance book. Also, the estimated receipts posted to the UAN system do not match the final certificate of estimated resources for 2007 and 2008.

**FINDING NUMBER 2008-001
 (Continued)**

The Village failed to properly post estimated resources and appropriations to the system as follows:

Estimated Resources	Per Final Certificate of Estimated Resources	Amount Posted to Accounting System	Variance
General Fund – 2007	\$44,531	\$39,631	\$4,900
Street Fund - 2007	15,920	2,120	13,800
State Highway Fund – 2007	2,793	550	2,243
Fire Fund – 2007	1,057	1,177	(120)
Police Fund – 2007	2,640	1,500	1,140
Ambulance Fund - 2007	6,096	7,912	(1,816)
General Fund – 2008	54,155	55,575	(1,420)
Parks & Recreation Fund - 2008	4,475	0	4,475

Appropriations	Per Appropriation Resolutions	Amount Posted to Accounting System	Variance
General Fund – 2007	\$50,999	\$52,672	\$(1,673)
Street Fund – 2007	6,465	14,889	(8,424)
Police Fund – 2007	0	1,875	(1,875)
Parks & Recreation Fund - 2007	0	1,875	(1,875)
General Fund – 2008	49,623	49,223	400
Street Fund - 2008	38,630	41,469	(2,839)
State Highway Fund - 2008	800	865	(65)
Fire Fund – 2008	1,000	1,111	(111)
Ambulance Fund – 2008	6,000	8,271	(2,271)

Failure to properly post estimated receipts and appropriations could result in excessive spending and possible negative fund balances. We recommend the Village properly post estimated receipts and appropriations to their budgetary ledgers. Once posted, the Fiscal Officer and Council should compare the estimated resources and appropriations on the accounting system to the official documents. Council should approve all amendments to appropriations in the minutes. The Village should maintain detail information supporting all supplemental appropriations.

Failure to properly post financial and budgetary activity can result in inaccurate records and financial statements and cause the Village to misappropriate funds. To improve accountability and record keeping, we recommend that the Village properly post all revenue receipts and expenditures to the correct funds and line items. The Fiscal Officer should review receipts posted to the ledgers for accuracy. Comparisons between years may aid in the determination if the Fiscal Officer has properly posted a receipt. The Village should properly post all activity pertaining to the renewal or pay off of loans.

FINDING NUMBER 2008-002

Noncompliance

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

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

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

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

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

More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did utilize Blanket Certificates and Then & Now Certificates. Of the transactions tested in 2007, ten (fifty percent) were not certified by the Fiscal Officer at the time the commitment was incurred. Of the transactions tested in 2008, eleven (fifty-five percent) were not certified by the Fiscal Officer at the time the commitment was incurred. We could not determine if one additional expenditure in 2007 and one additional expenditure in 2008 were properly certified because the invoices were not dated. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2008-002
 (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. The Village should date all invoices.

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 2008-003

Noncompliance

Ohio Revised Code, Section 5705.39, provides in part that total appropriations from each fund shall not exceed the total estimated resources. Appropriations exceeded estimated resources at December 31, 2007 as follows:

Fund	Appropriations	Estimated Resources	Variance
General Fund	\$50,999	\$31,813	\$19,186
Fire Fund	2,251	2,131	120
Ambulance Fund	9,885	8,069	1,816

Failure to limit appropriations to estimated resources may result in overspending and negative fund balances. We recommend that the Village limit appropriations to the amount of estimated resources.

Ohio Revised Code, Section 5705.41(B), requires that no subdivision or taxing unit is to expend money unless it has been appropriated as provided in Chapter 5705. Expenditures exceeded appropriations as follows:

Fund	Expenditures	Appropriations	Variance
General Fund at 12/31/07	\$54,426	\$50,999	\$3,427
Street Fund at 12/31/07	12,149	6,465	5,684
Parks & Recreation Fund at 12/31/07	1,875	0	1,875
Capital Projects Fund at 12/31/07	20,000	0	20,000
General Fund at 12/31/08	49,885	49,623	262
Street Fund at 12/31/08	41,284	38,630	2,654
Fire Fund at 12/31/08	1,111	1,000	111

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

Ohio Revised Code, Section 5705.10(H), states money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

**FINDING NUMBER 2008-003
(Continued)**

The General Fund had a negative balance from January 1, 2007 to September 4, 2007 [the highest negative balance was \$20,990 on April 25, 2007]. The Police Fund had a negative fund balance for the entire audit period [the highest negative balance was \$4,523 on January 1, 2007]. The Village moved some money from the General Fund to the Police Fund in 2008 to help eliminate the deficit. However, due to audit adjustments posted to the accompanying financial statements the Police Fund had a negative balance of \$1,305 at December 31, 2008. The Law Enforcement Trust Fund had a negative \$17 fund balance [carry forward from the prior audit]. The Village moved some money from the General Fund to the Law Enforcement Trust Fund in 2008 to eliminate the deficit. The Law Enforcement Trust Fund had a zero balance at December 31, 2008.

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

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

FINDING NUMBER 2008-004

Noncompliance/Material Weakness

Ohio Revised 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 Fiscal Officer shall record the appropriations in accordance with the terms and conditions of the on-behalf grant or project agreement. In addition, prior to the Village recording the appropriations, Ohio Revised Code, Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

The Fiscal Officer did not record the Community Development Block Grant (CDBG) monies disbursed on behalf of the Village during the audit period, nor was the grant money included in the appropriations by the Village Council. The accompanying financial statements have been adjusted to reflect receipts and disbursements of \$20,000 for the year ended December 31, 2007.

Failure to record these items can result in misleading financial statements. We recommend that the Village following the accounting treatment as prescribed in Auditor of State Bulletin 2000-008 for on-behalf grants.

FINDING NUMBER 2008-005

Significant 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, and plan for adequate segregation of duties or compensating controls.

**FINDING NUMBER 2008-005
(Continued)**

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

- The actual check numbers did not match the payroll registers maintained by the Fiscal Officer six times in 2007 and two times in 2008.
- The Fiscal Officer added \$12 in federal income tax instead of deducting that amount from her gross pay for the month ending April 2007 (Check #9012).
- The 2007 payroll register documented that \$13.86 of OPERS was withheld from Check #9159. However, the actual check stub documented that Social Security was withheld.
- The Village paid Police Officer Michael Roberts for 30 hours worked on Check #9081 dated April 17, 2007. The gross amount of pay was \$300; the net amount actually paid was \$237.15. The Fiscal Officer did not include this paycheck on the 2007 payroll register. The Fiscal Officer did not submit or report any federal, state, or local taxes or OPERS for this paycheck.
- The Fiscal Officer withheld Preble Shawnee School District income tax from one employee at the rate of 2% instead of 1% during February and March 2007. We could find no evidence that the excess withholding was subsequently credited to the employee.
- The Village paid \$78.21 in penalties and \$32.96 in interest during 2007 due to late filings for Federal income tax and OPERS returns.
- The Village did not submit third quarter 2008 withholdings for school district income tax, State income tax, or West Elkton income tax until January 2009. The Village paid \$3.87 in penalties.
- The Fiscal Officer's August 2007 salary was \$800. However, the Fiscal Officer only reported \$600 to OPERS. The Fiscal Officer contacted OPERS regarding this \$200 shortage on August 25, 2009. The Village has not yet paid the associated amount of withholding to OPERS.
- Council approved a 3% salary increase for the Fiscal Officer on July 8, 2008. However, the minutes did not document the effective date for the increase. The Fiscal Officer made her increase retroactive to April 2008. The amount of retroactive pay was \$58.50.

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

- The Fiscal Officer should withhold and report the proper amounts of withholdings.
- The Fiscal Officer should submit all withholdings in a timely manner to avoid late fees and interest.
- All information documented on the payroll registers should match the information on the actual payroll checks and UAN system.
- The minutes should clearly document the effective date for pay rate increases.

We did not receive a response from officials to the findings reported above.

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**VILLAGE OF WEST ELKTON
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Failure to have proper controls and procedures over bank reconciliations	Yes	
2006-002	Failure to properly post receipts	No	Not corrected – reissued as Finding 2008-001
2006-003	Ohio Rev. Code Section 733.40, failure to timely disburse Mayor’s Court collections	No	Partially corrected – reissued as management letter citation
	Failure to properly monitor and record Mayor’s Court activity	No	Partially corrected – reissued as management letter recommendation
2006-004	Failure to properly record debt service payments	No	Not corrected – reissued as Finding 2008-001
2006-005	Ohio Rev. Code Section 5705.41(D), failure to properly certify funds	No	Not corrected – reissued as Finding 2008-002
2006-006	Failure to properly monitor expenditures	Yes	
2006-007	Failure to properly monitor payroll operations	No	Not corrected – reissued as Finding 2008-005
2006-008	Inadequate segregation of duties	No	Partially corrected – reissued as management letter recommendation
2006-009	Ohio Rev. Code Section 5705.39, appropriations exceeded estimated resources	No	Not corrected – reissued as Finding 2008-003
	Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations	No	Not corrected – reissued as Finding 2008-003
	Ohio Rev. Code Section 5705.10(H), negative fund balances	No	Not corrected – reissued as Finding 2008-003
	Failure to properly post estimated receipts and appropriations	No	Not corrected – reissued as Finding 2008-003



Mary Taylor, CPA
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
DECEMBER 10, 2009**