



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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

January 19, 2010

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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, 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. 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 or cash flows, where applicable for the years then ended.

During 2007 and 2008, the Village of West Alexandria recorded its General income tax activity in a Special Revenue Fund. This activity should have been recorded in the General Fund.

The adjustments necessary to record the income tax activity from the Special Revenue Income Tax Fund in the General Fund are as follows:

<b>2007</b>	<b>Amount</b>	<b>2008</b>	<b>Amount</b>
January 1, 2007 Fund Balance	\$221,980	January 1, 2008 Fund Balance	\$214,636
Income Tax Receipts	292,596	Income Tax Receipts	302,778
General Government Disbursements and Other Financing Uses	299,940	General Government Disbursements and Other Financing Uses	252,005
December 31, 2007 Fund Balance	214,636	December 31, 2008 Fund Balance	265,409

Also, in our opinion, except for the necessary adjustments to the Special Revenue and General Fund Types referred to in the preceding paragraph, 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, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As more fully discussed in Note 9 to the financial statements, the fund balances for the Special Revenue, Capital Projects, Enterprise, and Agency Funds were restated as of January 1, 2007.

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 January 19, 2010, 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

January 19, 2010

**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, 2008**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$132,367		\$132,367
Municipal Income Tax		\$302,778	302,778
Intergovernmental	159,189	82,214	241,403
Special Assessments		23,721	23,721
Charges for Services		356,478	356,478
Fines, Licenses and Permits	2,766	245	3,011
Earnings on Investments	16,897	455	17,352
Miscellaneous	18,132	752	18,884
Total Cash Receipts	329,351	766,643	1,095,994
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	223,446	366,424	589,870
Public Health Services	3,438		3,438
Leisure Time Activities	1,263		1,263
Community Environment	5,843		5,843
Basic Utility Service		1,213	1,213
Transportation		129,065	129,065
General Government	137,608	36,164	173,772
Debt Service:			
Redemption of Principal		95,662	95,662
Interest and Fiscal Charges		4,528	4,528
Capital Outlay		6,876	6,876
Total Cash Disbursements	371,598	639,932	1,011,530
Total Receipts Over/(Under) Disbursements	(42,247)	126,711	84,464
<b>Other Financing Receipts / (Disbursements):</b>			
Proceeds from Sale of Public Debt:			
Loan Proceeds		41,044	41,044
Other Financing Sources	155,000	63,000	218,000
Other Financing Uses	(33,605)	(218,000)	(251,605)
Total Other Financing Receipts / (Disbursements)	121,395	(113,956)	7,439
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	79,148	12,755	91,903
Fund Cash Balances, January 1	213,216	432,704	645,920
<b>Fund Cash Balances, December 31</b>	<b>\$292,364</b>	<b>\$445,459</b>	<b>\$737,823</b>
Reserve for Encumbrances, December 31	\$34,351	\$47,232	\$81,583

*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 PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$738,646		\$738,646
Total Operating Cash Receipts	<u>738,646</u>	<u>0</u>	<u>738,646</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	182,873		182,873
Transportation	3,211		3,211
Contractual Services	234,608		234,608
Supplies and Materials	72,457		72,457
Capital Outlay	9,727		9,727
Total Operating Cash Disbursements	<u>502,876</u>	<u>0</u>	<u>502,876</u>
Operating Income/(Loss)	<u>235,770</u>	<u>0</u>	<u>235,770</u>
<b>Non-Operating Cash Receipts:</b>			
Other Financing Sources		201,746	201,746
Intergovernmental	300,000		300,000
Loan Proceeds	252,477		252,477
Total Non-Operating Cash Receipts	<u>552,477</u>	<u>201,746</u>	<u>754,223</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Financing Uses		209,161	209,161
Redemption of Principal	607,270		607,270
Interest and Other Fiscal Charges	27,483		27,483
Other Non-Operating Cash Disbursements	90,956		90,956
Total Non-Operating Cash Disbursements	<u>725,709</u>	<u>209,161</u>	<u>934,870</u>
Net Receipts Over/(Under) Disbursements	62,538	(7,415)	55,123
Fund Cash Balances, January 1	<u>599,670</u>	<u>26,064</u>	<u>625,734</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$662,208</u></b>	<b><u>\$18,649</u></b>	<b><u>\$680,857</u></b>
Reserve for Encumbrances, December 31	<u>\$59,355</u>	<u>\$0</u>	<u>\$59,355</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, 2007**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$149,154		\$149,154
Municipal Income Tax		\$292,596	292,596
Intergovernmental	96,041	141,489	237,530
Special Assessments		21,926	21,926
Charges for Services		340,066	340,066
Fines, Licenses and Permits	4,810	340	5,150
Earnings on Investments	12,968	396	13,364
Miscellaneous	5,603	2,884	8,487
 Total Cash Receipts	 268,576	 799,697	 1,068,273
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	196,172	327,662	523,834
Public Health Services	3,438		3,438
Leisure Time Activities	12,725		12,725
Community Environment	5,460		5,460
Basic Utility Service		41,801	41,801
Transportation		64,712	64,712
General Government	133,276	37,086	170,362
Debt Service:			
Redemption of Principal		155,134	155,134
Interest and Fiscal Charges		7,678	7,678
Capital Outlay	1,960	13,317	15,277
 Total Cash Disbursements	 353,031	 647,390	 1,000,421
 Total Receipts Over/(Under) Disbursements	 (84,455)	 152,307	 67,852
<b>Other Financing Receipts / (Disbursements):</b>			
Proceeds from Sale of Public Debt:			
Loan Proceeds		95,662	95,662
Other Financing Sources	155,000	109,500	264,500
Other Financing Uses		(264,500)	(264,500)
 Total Other Financing Receipts / (Disbursements)	 155,000	 (59,338)	 95,662
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 70,545	 92,969	 163,514
 Fund Cash Balances, January 1	 142,671	 339,735	 482,406
 <b>Fund Cash Balances, December 31</b>	 <b>\$213,216</b>	 <b>\$432,704</b>	 <b>\$645,920</b>
 Reserve for Encumbrances, December 31	 \$50,857	 \$52,928	 \$103,785

*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 PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$587,184		\$587,184
Fines, Licenses and Permits	1,800		1,800
Miscellaneous	7,178		7,178
	<u>596,162</u>	<u>0</u>	<u>596,162</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	159,139		159,139
Transportation	3,346		3,346
Contractual Services	225,629		225,629
Supplies and Materials	73,961		73,961
Capital Outlay	551,311		551,311
	<u>1,013,386</u>	<u>0</u>	<u>1,013,386</u>
Operating Income/(Loss)	<u>(417,224)</u>	<u>0</u>	<u>(417,224)</u>
<b>Non-Operating Cash Receipts:</b>			
Loan Proceeds	551,311		551,311
Other Financing Sources		210,844	210,844
	<u>551,311</u>	<u>210,844</u>	<u>762,155</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Financing Uses		205,884	205,884
Redemption of Principal	106,355		106,355
Interest and Other Fiscal Charges	56,589		56,589
Other Non-Operating Cash Disbursements	590		590
	<u>163,534</u>	<u>205,884</u>	<u>369,418</u>
Net Receipts Over/(Under) Disbursements	(29,447)	4,960	(24,487)
Fund Cash Balances, January 1	<u>629,117</u>	<u>21,104</u>	<u>650,221</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$599,670</u></b>	<b><u>\$26,064</u></b>	<b><u>\$625,734</u></b>
Reserve for Encumbrances, December 31	<u>\$159,188</u>	<u>\$0</u>	<u>\$159,188</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, 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 Alexandria, Preble County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police, fire, and ambulance services. The Village also provides fire and ambulance services contractually to Twin and Lanier Townships in Preble County.

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 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.

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

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

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. 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.

Sanitation Fund - This fund receives charges for services from residents to cover sanitation service costs.

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. Fiduciary Fund**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for ambulance billing activity collected for Twin and Lanier Townships.

**E. Budgetary Process**

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

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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.

**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:

	2008	2007
Demand deposits	\$1,276,148	\$1,129,122
Certificates of deposit	142,333	142,333
Total deposits	1,418,481	1,271,455
Cash on hand	200	200
Total deposits and cash on hand	\$1,418,681	\$1,271,655

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

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

**2. Equity in Pooled Cash and Deposits (Continued)**

**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 did not designate a depository during the audit period nor execute any depository agreements for the Village's EMS billing account at Fifth Third Bank.

**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	\$350,000	\$484,351	\$134,351
Special Revenue	612,342	870,687	258,345
Enterprise	692,977	1,291,123	598,146
Total	\$1,655,319	\$2,646,161	\$990,842

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$563,217	\$439,554	\$123,663
Special Revenue	1,074,171	905,164	169,007
Enterprise	1,288,198	1,287,940	258
Total	\$2,925,586	\$2,632,658	\$292,928

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$358,700	\$423,576	\$64,876
Special Revenue	785,779	1,004,859	219,080
Enterprise	1,507,714	1,147,473	(360,241)
Total	\$2,652,193	\$2,575,908	(\$76,285)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$501,371	\$403,888	\$97,483
Special Revenue	1,125,514	964,818	160,696
Enterprise	1,891,550	1,336,108	555,442
Total	\$3,518,435	\$2,704,814	\$813,621

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

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

**3. Budgetary Activity (Continued)**

Contrary to Ohio law:

Budgetary expenditures exceeded appropriation authority in the Water fund by \$386,763 for the year ended December 31, 2008. This negative variance was due to an audit adjustment.

Total appropriations exceeded estimated resources in the Fire Truck Reserve Fund by \$41,000 and in the Wastewater Plant Fund by \$6,475 for the year ended December 31, 2008.

Estimated receipts exceeded actual receipts in the following funds. Furthermore, the amount of the deficiency reduced available resources below the current level of appropriations: For the year ended December 31, 2007 – Ambulance Reserve Fund (\$1,993); Lanier Waterline Fund (\$8,958); Water Treatment Plant Fund (\$137,689); Wastewater Plant Fund (\$6,475); and Ambulance Billing Fund (\$39,156). For the year ended December 31, 2008 – Ambulance Billing Fund (\$37,190).

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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.

**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.

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

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

**6. Debt**

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #3997	\$8,525	0.00%
Ohio Water Development Authority Loan #4419	\$1,323,992	2.75%
Ohio Public Works Commission Loan CK24C	\$24,288	0.00%
Ohio Public Works Commission Loan CK09E	\$264,908	0.00%
Ohio Public Works Commission Loan CK12G	\$232,037	0.00%
Fire Truck Loan	\$41,044	5.28%
Total	<u>\$1,894,794</u>	

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, 2008, the Village has drawn \$18,525 of the available loan monies (principal of \$5,000 was paid during the audit period). Beginning in 2005 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, 2008, the Village has drawn \$1,991,716 of the available loan monies (principal of \$667,724 was paid during the audit period). Beginning in 2007 the loan is being repaid in semi-annual installments of \$66,935 over 20 years. A final 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 \$271,700 by the Ohio Public Works Commission (OPWC) on July 1, 2001, for the Lanier waterline and booster pump project (CK09E). Beginning in 2008 the loan is being repaid in semi-annual installments of \$6,792 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 was awarded \$244,250 by the Ohio Public Works Commission (OPWC) on July 1, 2003, for water treatment plant improvements (CK12G). Loan proceeds were not received until 2008. Beginning in 2008 the loan is being repaid in semi-annual installments of \$6,106 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 2004 for \$141,000. The loan proceeds were used to purchase a fire truck. The Village renewed the loan on June 18, 2005, June 20, 2006, June 21, 2007, and June 19, 2008. A maturity payment of \$43,211, including interest, is due on June 19, 2009. The loan is collateralized by the fire truck.

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

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

**6. Debt (Continued)**

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

Year ending December 31:	OWDA Loan #3997	OWDA Loan #4419	OPWC CK24C	OPWC CK09E
2009	\$2,500	\$133,869	\$1,679	\$13,585
2010	2,500	133,869	1,679	13,585
2011	2,500	133,869	1,679	13,585
2012	1,025	133,869	1,679	13,585
2013		133,869	1,679	13,585
2014-2018		669,347	8,393	67,925
2019-2023		669,347	7,500	67,925
2024-2028		401,608		61,133
Total	<u>\$8,525</u>	<u>\$2,409,647</u>	<u>\$24,288</u>	<u>\$264,908</u>

Year ending December 31:	OPWC CK12G	Fire Truck Loan
2009	\$12,212	\$43,211
2010	12,212	
2011	12,212	
2012	12,212	
2013	12,212	
2014-2018	61,063	
2019-2023	61,063	
2024-2028	48,851	
Total	<u>\$232,037</u>	<u>\$43,211</u>

**7. Retirement Systems**

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. 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 paid all contributions required through December 31, 2008.

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(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. Prior Period Adjustments**

The Village accounted for their EMS billing services in the Special Revenue Fund in 2005 and 2006. In 2007 the Village received authorization to account for the activity in an Agency Fund. The beginning fund balances of Special Revenue and Agency Funds have been adjusted for the reclassification of the Ambulance Billing Fund as follows:

	<u>Special Revenue</u>	<u>Agency</u>
December 31, 2006 Fund Balance, as previously reported	\$360,839	\$ 0
Fund Reclassification	( <u>\$ 21,104</u> )	<u>\$21,104</u>
January 1, 2007 Fund Balance, as restated	\$339,735	\$21,104

The Village established Capital Project Funds to account for loans received from the Ohio Public Works commission (OPWC) and Ohio Water Development Authority (OWDA). The loans are for water projects. Per the loan agreements the loans are to be repaid with user charges generated from the utilities. Therefore, the loan activity should be accounted for in the Enterprise Fund. The beginning fund balances of Capital Projects and Enterprise Funds have been adjusted for the reclassification of the OPWC and OWDA loan activity as follows:

	<u>Capital Projects</u>	<u>Enterprise Fund</u>
December 31, 2006 Fund Balance, as previously reported	\$1,500	\$627,617
Fund Reclassification	( <u>\$1,500</u> )	<u>\$1,500</u>
January 1, 2007 Fund Balance, as restated	\$0	\$629,117



# 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, 2008 and 2007, and have issued our report thereon dated January 19, 2010, 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 that the fund balances for the Special Revenue, Capital Projects, Enterprise, and Agency Funds were restated as of January 1, 2007 and we issued a finding for adjustment against the Special Revenue Fund in favor of the General Fund to record the income tax activity in the General Fund. 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 2008-002 and 2008-004 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. We believe the significant deficiencies described above are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated January 19, 2010.

### **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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-003 through 2008-006.

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 January 19, 2010.

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

January 19, 2010

**VILLAGE OF WEST ALEXANDRIA  
PREBLE COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Noncompliance Citation**

**Ohio Revised Code, § 135.12(B)**, provides, in part, that each governing board other than the state board of deposit shall meet every five years on the third Monday or such regularly scheduled meeting date of the month preceding the date of the expiration of its designation of depositories for the purpose of designating the public depositories of the public moneys of the subdivision, and at such meeting or any adjourned session thereof, shall designate such public depositories and award the public moneys of the subdivision to and among the public depositories so designated for the period of five years commencing on the date of the expiration of the next preceding designation. The Village did not designate a depository during the audit period nor execute any depository agreements for the Village's EMS billing account at Fifth Third Bank. A depository agreement should include a requirement that a pledge of collateral: (1) be in writing, (2) be executed contemporaneously with the acquisition of the asset by the depository institution, (3) be approved by the financial institution's board of directors or loan committee and the approval must be reflected in the minutes of the financial institution's board or committee, and (4) be an official record of the depository institution continuously since it was executed. Requirements (1) through (4) are necessary under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), to assure the pledge would be valid in the event of a claim under FDIC.

Entities not having a depository agreement with a depository could risk public funds not being covered by collateral if the depository ceases to exist. We recommend that the Village approve the official designation of a depository.

**FINDING NUMBER 2008-002**

**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.

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 Village lacks management oversight in the posting of receipts and disbursements. This lack of oversight is illustrated by the following:

- Ohio Public Works Commission (OPWC) made a principal payment in 2008 of \$544,250 to Ohio Water Development Authority (OWDA) Loan #4419 on the Village's behalf. \$300,000 of this was a grant and \$244,250 was in the form of a loan from OPWC. The Village did not record this on-behalf activity to their books.
- Debt service-principal and debt service-interest expenditures were not correctly reported on the annual financial reports. For the Special Revenue Fund the amount of the adjustment was \$99,877 in 2007 and \$77,216 in 2008. For the Enterprise Fund the amount of the adjustment was \$29,193 in 2007.

**FINDING NUMBER 2008-002  
 (Continued)**

Adjustments were posted to the accompanying financial statements. Failure to properly post revenue and expenditures can result in inaccurate records and cause the Village to misappropriate funds. We recommend that the Village properly post all ambulance billing, debt, and on-behalf receipts and disbursements. Receipts posted to the receipt ledger should be reviewed for accuracy. Comparisons between years may aid in the determination if a receipt has been properly posted. We recommend that the Village following the accounting treatment as prescribed in Auditor of State Bulletin 2000-008 for on-behalf grants.

**FINDING NUMBER 2008-003**

**Noncompliance Citation**

**Ohio Rev. Code, § 5705.39**, states that total appropriations from each fund shall not exceed the total estimated resources.

In 2008, total appropriations exceeded estimated resources in the Fire Truck Reserve Fund by \$41,000 and in the Wastewater Plant Fund by \$6,475. Total appropriations exceeding estimated resources could result in negative fund balances. We recommend that Village personnel and Council review budgetary compliance on a monthly basis and make amendments as required.

**FINDING NUMBER 2008-004**

**Material Weakness/Noncompliance Citation**

**Ohio Rev. Code, § 5705.36 (A)(4)**, states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Estimated receipts exceeded actual receipts in the funds noted below. Furthermore, the amount of the deficiency reduced available resources below the current level of appropriations.

<b>Fund</b>	<b>Appropriations</b>	<b>Available Resources</b>	<b>Variance</b>
Ambulance Reserve Fund (2007)	\$57,251	\$55,258	\$1,993
Lanier Waterline Fund (2007)	8,958	0	8,958
Water Treatment Plant Fund (2007)	690,500	552,811	137,689
Wastewater Plant Fund (2007)	6,475	0	6,475
Ambulance Billing Fund (2007)	250,000	210,844	39,156
Ambulance Billing Fund (2008)	265,000	227,810	37,190

**FINDING NUMBER 2008-004  
 (Continued)**

The Village lacks management oversight in the posting of estimated resources. The estimated resources posted to the Village’s accounting system do not match the final certificate of estimated resources. The Village failed to properly post estimated resources to the accounting system as follows:

<b>Fund</b>	<b>Estimated Resources per Final Certificate of Estimate Resource</b>	<b>Estimated Resources Posted to the Village’s Accounting System</b>	<b>Variance</b>
Ambulance Operating Fund – 2007	\$214,792	\$208,000	\$6,792
Fire Truck Reserve Fund – 2007	96,534	107,534	(11,000)
Water Treatment Plant – 2007	934,282	689,000	245,282
Ambulance Operating Fund – 2008	\$215,363	\$210,363	5,000
Fire Truck Reserve – 2008	33,000	74,000	(41,000)
Water Fund – 2008	257,750	200,000	57,750
Sewer Fund – 2008	287,000	218,000	69,000

Failure to properly obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriation can result in overspending and negative fund balances. Failure to properly post budgetary amounts to the Village’s accounting system could result in improper monitoring of budgetary activity. We recommend that the Village monitor estimated and actual receipts and obtain amendments when required. All estimated resources should be properly posted to the accounting system.

**FINDING NUMBER 2008-005**

**Noncompliance Citation**

**Ohio Rev. Code, § 5705.41(B)**, states no taxing authority shall make any expenditures of money unless it has been appropriated.

In 2008, expenditures exceeded appropriations in the Water Fund by \$386,763. This negative variance was due to an audit adjustment. Expenditures exceeding appropriations could result in negative cash balances in individual funds and line items. We recommend that Village personnel and Council review budgetary compliance on a monthly basis and make amendments as required.

**FINDING NUMBER 2008-006**

**Finding for Adjustment**

Ordinance 800.14 for the Village of West Alexandria pertains the allocation of earned income tax among funds and states the allocation of funds for the purpose of general Municipal operations, maintenance, new equipment, extension and enlargement of Municipal services and facilities, and capital improvements of the Municipality, shall be determined by Council.

**Ohio Rev. Code, Section 5705.10(A)**, states, in pertinent part, that all revenue from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund.

**FINDING NUMBER 2008-006  
 (Continued)**

The Ohio Village Officer's Handbook explains that if the income tax has been established for the use of a specific purchase or a specific activity, then the income tax should be recorded in a special revenue fund titled appropriately. However, if no specific purchase or specific activity is outlined then income tax must be recorded in the General Fund.

During the audit period the Village recorded the general income tax activity in a Special Revenue Fund. The Village's income tax ordinance does not state a specific purpose and Council did not specify additional allocations as required by Village Ordinance 800.14. Therefore, the activity should have been recorded in the General Fund.

We proposed the following adjustments to move the income tax activity from the Special Revenue Income Tax Fund to record the income tax activity in the General Fund:

<b>2007</b>	<b>Amount</b>	<b>2008</b>	<b>Amount</b>
January 1, 2007 Fund Balance	\$221,980	January 1, 2008 Fund Balance	\$214,636
Income Tax Receipts	292,596	Income Tax Receipts	302,778
General Government Disbursements and Other Financing Uses	299,940	General Government Disbursements and Other Financing Uses	252,005
December 31, 2007 Fund Balance	214,636	December 31, 2008 Fund Balance	265,409

Neither the accompanying financial statements nor the Village's computer system have been adjusted to reflect these changes. Failure to properly post revenue and expenditures can result in inaccurate records and cause the Village to misappropriate funds. We recommend the Village properly post all general income tax activity.

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the Special Revenue Fund and in favor of the General Fund in the amounts of \$214,636 and \$265,409 for 2007 and 2008, respectively.

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

**VILLAGE OF WEST ALEXANDRIA  
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; <b><i>Explain</i></b>
2006-001	ORC § 135.18, failure to adequately collateralize deposits	Yes	
2006-002	ORC § 5705.41 (B), expenditures exceeding appropriations	No	Not Corrected – Re-Issued as Finding 2008-005
2006-003	ORC § 5705.41(D), failure to properly certify funds	No	Partially Corrected – Re-Issued as a Management Letter Comment
2006-004	Failure to monitor service organization for ambulance service billing	Yes	
2006-005	Failure to properly record all EMS Department financial activity	Yes	





**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  
FEBRUARY 9, 2010