

***VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

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

We have reviewed the Report of Independent Accountants of the Village of West Manchester, Preble County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the Report of Independent Accountants on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The Report of Independent Accountants also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of West Manchester is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

December 13, 2012

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**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY  
AUDIT REPORT  
For Years Ending December 31, 2011 and 2010**

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Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of West Manchester, Preble County, (the Village) as and for the years ended December 31, 2011 and 2010. 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 about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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.

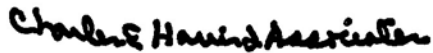
Instead of the combined finds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the GAAP presentation requirements. The Auditor of State permits, but does not require governments 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, 2011 and 2010, 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, 2011 and 2010, or its changes in financial position or cash flows 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 as of December 31, 2011 and 2010 of the Village and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 the Village adopted Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2012, 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, 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 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.



*Charles E. Harris & Associates, Inc.*  
September 5, 2012



VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 48,789	\$ 5,904	\$ -	\$ 54,693
Charges for Services	31,131	56,983	-	88,114
Intergovernmental	15,785	79,028	10,000	104,813
Earnings on Investments	1,317	-	-	1,317
Miscellaneous	4,216	10,544	7,360	22,120
Total Receipts	<u>101,238</u>	<u>152,459</u>	<u>17,360</u>	<u>271,057</u>
<b>Disbursements</b>				
Current:				
General Government	58,737	-	-	58,737
Security of Persons and Property	6,539	127,519	11,314	145,372
Leisure time Activities	1,790	-	-	1,790
Basic Utility Services	28,112	-	-	28,112
Transportation	9,241	22,787	-	32,028
Total Disbursements	<u>104,419</u>	<u>150,306</u>	<u>11,314</u>	<u>266,039</u>
Receipts Over (Under) Disbursements	(3,181)	2,153	6,046	5,018
Other Financing Sources (Uses)				
Transfers In	-	61,597	-	61,597
Transfers Out	(800)	(60,797)	-	(61,597)
Advance In	4,500	-	-	4,500
Advance Out	-	(4,500)	-	(4,500)
Total Other Financing Sources (Uses)	<u>3,700</u>	<u>(3,700)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	519	(1,547)	6,046	5,018
Fund Balances Beginning of Year	<u>103,296</u>	<u>47,566</u>	<u>40,373</u>	<u>191,235</u>
Fund Balances				
Restricted	-	46,019	-	46,019
Committed	-	-	46,419	46,419
Unassigned	<u>103,815</u>	<u>-</u>	<u>-</u>	<u>103,815</u>
Fund Balances End of Year	<u>\$ 103,815</u>	<u>\$ 46,019</u>	<u>\$ 46,419</u>	<u>\$ 196,253</u>

See accompanying notes to the financial statements

VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
Operating Receipts	
Charges for Services	\$ 223,339
Miscellaneous	2,908
	226,247
Operating Disbursements	
Personal Services	43,831
Travel Transportation	1,496
Contractual Services	40,606
Supplies and Materials	6,373
Other	2,843
	95,149
Operating Income (Loss)	131,098
Non-Operating Receipts (Disbursements)	
Principal Redemption	(31,331)
Interest and Fiscal Charges	(56,397)
	(87,728)
Total Non-Operating Receipts (Disbursements)	(87,728)
Income (Loss) before Transfers	43,370
Transfers-In	84,770
Transfers Out	(84,770)
Receipts Over (Under) Disbursements	43,370
Fund Balances Beginning of Year	102,555
Fund Balances End of Year	\$ 145,925

See accompanying notes to the financial statements

VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 15,730	\$ 6,055	\$ -	\$ 21,785
Charges for Services	27,978	55,001	-	82,979
Fines and Forfeitures	2,308	-	-	2,308
Intergovernmental	33,930	18,806	-	52,736
Earnings on Investments	1,996	-	-	1,996
Miscellaneous	3,801	281	-	4,082
Total Receipts	<u>85,743</u>	<u>80,143</u>	<u>-</u>	<u>165,886</u>
<b>Disbursements</b>				
Current:				
General Government	59,412	-	-	59,412
Security of Persons and Property	6,338	73,390	68,886	148,614
Leisure time Activities	20,204	-	-	20,204
Community Environment	4	-	-	4
Basic Utility Services	25,333	-	-	25,333
Transportation	10,294	16,834	-	27,128
Total Disbursements	<u>121,585</u>	<u>90,224</u>	<u>68,886</u>	<u>280,695</u>
Receipts Over (Under) Disbursements	(35,842)	(10,081)	(68,886)	(114,809)
Other Financing Sources (Uses)				
Advance In	16,000	-	-	16,000
Advance Out	-	(4,000)	-	(4,000)
Total Other Financing Sources (Uses)	<u>16,000</u>	<u>(4,000)</u>	<u>-</u>	<u>12,000</u>
Net Change in Fund Balances	(19,842)	(14,081)	(68,886)	(102,809)
Fund Balances Beginning of Year	<u>123,138</u>	<u>61,647</u>	<u>109,259</u>	<u>294,044</u>
Fund Balances End of Year	<u>\$ 103,296</u>	<u>\$ 47,566</u>	<u>\$ 40,373</u>	<u>\$ 191,235</u>

See accompanying notes to the financial statements

VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
Operating Receipts	
Charges for Services	\$ 210,477
Miscellaneous	1,456
	211,933
Total Operating Receipts	
Operating Disbursements	
Personal Services	24,086
Travel Transportation	1,130
Contractual Services	42,414
Supplies and Materials	16,090
Other	19,539
	103,259
Total Operating Disbursements	
Operating Income (Loss)	108,674
Non-Operating Receipts (Disbursements)	
Principal Redemption	(30,653)
Interest and Fiscal Charges	(57,087)
	(87,740)
Total Non-Operating Receipts (Disbursements)	
Income (Loss) before Transfers	20,934
Transfers-In	84,770
Transfers Out	(84,770)
Advances Out	(12,000)
Receipts Over (Under) Disbursements	8,934
Fund Balances Beginning of Year	93,621
Fund Balances End of Year	\$ 102,555

See accompanying notes to the financial statements

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

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

**B. 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. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash 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 MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**D. Fund Accounting (continued)**

**2. Special Revenue Funds**

These funds are 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.

**Fire Fund** – This fund receives money from contracts with local village and township fire districts to provide for the protection of area citizens.

**3. Capital Project Funds**

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

**Fire Truck Reserve Fund** – This fund receives fire contract monies set aside for the purchase of a fire truck.

**4. Enterprise Funds**

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

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

**Utility Improvement Fund (OWDA)** – This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

**Sewer Fund** – This fund receives charges for services from residents to cover the cost of sewer services.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**E. Budgetary Process**

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

**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 2011 and 2010 budgetary activity appears in Note 4.

**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.

**H. Fund Balances**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**H. Fund Balances (continued)**

**Nonspendable**

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

**Restricted**

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

**Committed**

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned**

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Council, which includes giving the Fiscal Officer the authority to constrain monies for intended purposes.

**Unassigned**

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.



**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**H. Fund Balances (continued)**

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**2. Change in Accounting Principle**

For fiscal year 2011, the Board has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in the reclassification of certain funds or the restatement of the Village's financial statements.

**3. Equity in Pooled Deposits and Investments**

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

	<u>2011</u>	<u>2010</u>
Demand Deposits	\$ 228,178	\$ 179,790
Certificate of Deposit	114,000	114,000
Total deposits	<u>\$ 342,178</u>	<u>\$ 293,790</u>

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

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 120,000	\$ 105,738	\$ (14,262)
Special Revenue	250,794	214,056	(36,738)
Capital Projects	10,000	17,360	7,360
Enterprise	312,170	311,017	(1,153)
Total	\$ 692,964	\$ 648,171	\$ (44,793)

2011 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 109,475	\$ 105,219	\$ 4,256
Special Revenue	276,944	215,603	61,341
Capital Projects	11,500	11,314	186
Enterprise	189,200	267,647	(78,447)
Total	\$ 587,119	\$ 599,783	\$ (12,664)

2010 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 110,000	\$ 101,743	\$ (8,257)
Special Revenue	127,700	80,143	(47,557)
Capital Projects	10,000	-	(10,000)
Enterprise	289,770	296,703	6,933
Total	\$ 537,470	\$ 478,589	\$ (58,881)

2010 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 121,160	\$ 121,585	\$ (425)
Special Revenue	93,050	94,224	(1,174)
Capital Projects	68,986	68,886	100
Enterprise	191,750	287,769	(96,019)
Total	\$ 474,946	\$ 572,464	\$ (97,518)

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. 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.

**6. Debt**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$145,336	0.00%
Sewer System Mortgage Revenue Bonds	214,770	4.25%
Issuers Sewer System	1,061,730	4.25%
Ohio Water Development Authority	35,450	3.92%
Total	<u>\$1,457,286</u>	

The Ohio Public Works Commission loan relates to the water treatment plant improvements. The interest-free loan is to be repaid in semiannual installments of \$6,921, which started in 2003 for a period of 20 year ending in 2022.

The Sewer System Mortgage Revenue Bonds relates to the sewer system improvements. The loan is to be repaid in annual installments, including interest at 4.25%, starting in 2006 for a period of 40 years ending in 2045.

The Issuers Sewer System relates to the sewer system improvements. The loan is to be repaid in annual installments, including interest at 4.25%, starting in 2006 for a period of 40 years ending in 2045.

The Ohio Water Development Authority loan relates to the sewer system improvements. The loan is to be repaid in semiannual installments, including interest at 3.92%, for a period of 30 years ending 2037.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. Debt (continued)**

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

Year	Sewer System Mortgage Revenue Bonds		Issuers Sewer System Bonds	
	Principal	Interest	Principal	Interest
	2012	\$ 2,928	\$ 9,125	\$ 14,476
2013	3,053	9,004	15,092	44,508
2014	3,183	8,874	15,733	43,867
2015	3,318	8,739	16,402	43,198
2016	3,459	8,598	17,099	42,501
2017-2021	19,628	40,654	97,031	200,967
2022-2026	24,169	36,113	119,479	178,519
2027-2031	29,761	30,521	147,120	150,878
2032-2036	36,646	23,636	181,156	116,842
2037-2041	45,124	15,158	223,066	74,932
2042-2047	43,501	4,719	215,076	23,327
Total	\$ 214,770	\$ 195,141	\$ 1,061,730	\$ 964,662

Year	OPWC Loan		OWDA Loan	
	Principal	Interest	Principal	Interest
2012	\$ 13,842	\$ 824	\$ 824	\$ 1,372
2013	13,842	857	857	1,339
2014	13,842	890	890	1,305
2015	13,842	926	926	1,270
2016	13,842	962	962	1,233
2017-2021	69,210	5,414	5,414	5,564
2022-2026	6,916	6,574	6,574	4,404
2027-2031	-	7,982	7,982	2,996
2032-2036	-	9,692	9,692	1,286
2037-2041	-	1,329	1,329	21
Total	\$ 145,336	\$ 35,450	\$ 35,450	\$ 20,790

**7. Retirement Systems**

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

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**7. Retirement Systems (continued)**

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10.0 percent of their gross salaries and the Village contributed an amount equaling 14.0 percent of covered payroll and public safety and law enforcement employer units contributed to OPERS at 17.87 percent. The Village has paid all contributions required through December 31, 2011.

**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.

There has been no significant reduction in coverage in relation to the prior fiscal year. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

**9. Interfund Transfers**

Interfund transfers for the years ended December 31, 2011 and 2010, consisted of the following:

Fund	2011		2010	
	Transfers Out	Transfers In	Transfers Out	Transfers In
General Fund	\$ 800	\$ -	\$ -	\$ -
Special Revenue Funds:				
Police Fund	-	800	-	-
Fema	60,797	-	-	-
Fire Fund	-	60,797	-	-
Enterprise Funds:				
Sewer Fund	84,770	-	84,770	-
Sinking Fund	-	77,558	-	77,558
Reserve Fund	-	7,212	-	7,212
Totals	<u>\$146,367</u>	<u>\$146,367</u>	<u>\$ 84,770</u>	<u>\$ 84,770</u>

All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.15

**10. Contingent Liabilities/Subsequent Events**

Management believes there are no pending claims or lawsuits.

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

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

To the Village Council:

We have audited the financial statements of the Village of West Manchester, Preble County (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 5, 2012, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. For the year ended December 31, 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-002 described in the accompanying schedule of findings to be a material weakness.

### 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 such an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2011-001.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We noted certain matters that we have reported to management of the Village in a separate letter dated September 5, 2012.

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



*Charles E. Harris & Associates, Inc.*

September 5, 2012

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-001  
Noncompliance Citation**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

We noted the following funds had disbursements plus encumbrances that exceeded appropriations at December 31, 2011:

Fund	Approved Appropriations	Budgetary Disbursements	Variance
Special Revenue Funds:			
Street Maintenance Fund	\$ 22,550	\$ 23,953	\$ (1,403)
Enterprise Funds:			
Utility Deposit	300	1,760	(1,460)
Sewer Sys Mort Rev Fund	42,150	124,770	(82,620)

We noted the following funds had disbursements plus encumbrances that exceeded appropriations at December 31, 2010:

Fund	Approved Appropriations	Budgetary Disbursements	Variance
General Fund	\$ 121,160	\$ 121,585	\$ (425)
Special Revenue Funds:			
Street Maintenance Fund	18,150	20,834	(2,684)
Enterprise Funds:			
Utility Deposit	50	1,400	(1,350)
Sewer Sys Mort Rev Fund	47,450	143,872	(96,422)

Disbursements for each fund should not exceed appropriations. Failure to follow approved budgets could lead to overspending and the possibility of negative fund balances. To ensure disbursements do not exceed appropriations, the Village should monitor its financial activity periodically and amend its approved budgets accordingly.

**Officials' Response:**

We received no response to the finding above.



**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-002  
Material Weakness**

**Recording of Financial Activity**

To assist in the effective management and reporting of financial resources, an entity should have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements. The Village's 2011 accounting records and financial statements had expenditure classification errors of \$16,085 in the Enterprise Water fund. In 2010, the Village's accounting records and financial statements had expenditure classification errors of \$16,078 in the Enterprise Water fund. The classification errors consisted of the improper recording of debt service payments. The financial statements have been reclassified to correct the above errors and the Village has agreed with the reclassifications.

The failure to correctly record revenues and expenditures could not only impact users' understanding of the financial operations; it could also inhibit the Village Council's and management's ability to make sound financial decisions, and could impact the Council's ability to comply with budgetary laws.

The Village should review the Village Officers' Handbook for guidance in the recording of revenues and expenditures. The Village's Fiscal Officer and Council should also perform a periodic review of the financial records to help identify recording errors.

**Officials' Response:**

We received no response to the finding above.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	Ohio Rev. Code Section 5705.41 (D) - incurring expenses without certifying the purchase orders	Yes	No longer valid
2009-002	Misstatements and omissions in financial statements	No	Reissued as finding 2011-002
2009-003	Ohio Admin Code Section 117-2 – maintaining the Village’s records	Yes	No longer valid
2009-004	Using Village-owned gasoline card for personal use	Yes	No longer valid



# Dave Yost • Auditor of State

VILLAGE OF WEST MANCHESTER

PREBLE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 20, 2012