

VILLAGE OF MECHANICSBURG
DAYTON REGION, CHAMPAIGN COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Village Council
Village of Mechanicsburg
Champaign County
18 North Main Street
Mechanicsburg, Ohio 43044

We have reviewed the independent auditor's report of the Village of Mechanicsburg, Champaign County, prepared by Holbrook & Manter LLP, Certified Public Accountants, for the audit period January 1, 1998 through December 31, 1999. 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.

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 Mechanicsburg is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

October 20, 2000

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Mechanicsburg
Champaign County
18 North Main Street
Mechanicsburg, Ohio 43044

We have audited the accompanying financial statements of the Village of Mechanicsburg, Champaign County, Ohio, (the Village) as of and for the years ended December 31, 1999 and December 31, 1998. 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 audits.

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

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

In our opinion, 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 Mechanicsburg, as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Holbrook & Manter, LLP

Certified Public Accountants

June 2, 2000
Marion, Ohio

VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND-
FOR THE YEAR ENDED DECEMBER 31, 1999

	GOVERNMENT FUND TYPES				FIDUCIARY	(Memorandum
	General	Special Revenue	Debt Service	Capital Project	FUND Expendable Trust	Only) Total
Cash receipts:						
Local taxes	\$ 24,901	\$ 16,060	\$ 0	\$ 0	\$ 281,647	\$ 322,608
Intergovernmental	104,486	59,031	0	0	0	163,517
Charges for services	683	36,790	0	0	0	37,473
Fines, licenses, and permits	36,358	0	0	0	0	36,358
Miscellaneous	21,324	3,004	0	1,495	0	25,823
Total cash receipts	<u>187,752</u>	<u>114,885</u>	<u>0</u>	<u>1,495</u>	<u>281,647</u>	<u>585,779</u>
Cash disbursements:						
Current:						
Security of persons and property	237,227	44,019	0	0	0	281,246
Public health services	4,769	0	0	0	0	4,769
Leisure time activities	0	4,977	0	0	0	4,977
Basic utility services	1,552	0	0	0	0	1,552
Transportation	0	121,912	0	0	0	121,912
General government	176,325	350	0	0	0	176,675
Capital outlay	1,803	5,050	0	41,071	0	47,924
Debt service	0	9,802	0	0	0	9,802
Total cash disbursements	<u>421,676</u>	<u>186,110</u>	<u>0</u>	<u>41,071</u>	<u>0</u>	<u>648,857</u>
Total receipts over/(under) cash disbursements	<u>(233,924)</u>	<u>(71,225)</u>	<u>0</u>	<u>(39,576)</u>	<u>281,647</u>	<u>(63,078)</u>
Other financing receipts/(disbursements):						
Transfers - in	305,456	54,908	0	26,250	0	386,614
Transfers - out	(65,200)	(15,958)	(426)	0	(304,630)	(386,214)
Other sources	0	0	0	0	0	0
Other uses	(9,340)	0	0	0	0	(9,340)
Total other financing receipts/(disbursements)	<u>230,916</u>	<u>38,950</u>	<u>(426)</u>	<u>26,250</u>	<u>(304,630)</u>	<u>(8,940)</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	<u>(3,008)</u>	<u>(32,275)</u>	<u>(426)</u>	<u>(13,326)</u>	<u>(22,983)</u>	<u>(72,018)</u>
Fund cash balances January 1, 1999	<u>5,680</u>	<u>71,721</u>	<u>426</u>	<u>18,443</u>	<u>22,983</u>	<u>119,253</u>
Fund cash balances, December 31, 1999	<u>\$ 2,672</u>	<u>\$ 39,446</u>	<u>\$ 0</u>	<u>\$ 5,117</u>	<u>\$ 0</u>	<u>\$ 47,235</u>
Reserve for encumbrances, December 31, 1999	<u>\$ 2,308</u>	<u>\$ 1,635</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,943</u>

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

VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND-
FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund	Fiduciary Fund	(Memorandum Only)
	Enterprise	Agency	Enterprise
Operating cash receipts:			
Charges for services	\$ 422,286	\$ 300	\$ 422,586
Court fines and forfeitures	0	0	0
Total operating cash receipts	<u>422,286</u>	<u>300</u>	<u>422,586</u>
Operating cash disbursements:			
Personal services	148,412	0	148,412
Court disbursements	0	0	0
Contractual services	10,693	0	10,693
Supplies and materials	181,732	0	181,732
Capital outlay	19,929	0	19,929
Total operating cash disbursements	<u>360,766</u>	<u>0</u>	<u>360,766</u>
Operating income/(loss)	<u>61,520</u>	<u>300</u>	<u>61,820</u>
Non-operating cash receipts:			
Local taxes	25	0	25
Miscellaneous	100,605	12,125	112,730
Other non-operating revenues	0	0	0
Total non-operating cash receipts	<u>100,630</u>	<u>12,125</u>	<u>112,755</u>
Non-operating cash disbursements:			
Debt service	183,970	0	183,970
Other non-operating cash disbursements	19,915	12,079	31,994
Total non-operating cash disbursements	<u>203,885</u>	<u>12,079</u>	<u>215,964</u>
Excess of receipts over/(under) disbursements before interfund transfers and advances	(41,735)	346	(41,389)
Transfer - in	27,069	0	27,069
Transfer - out	(27,069)	(400)	(27,469)
Net receipts over/(under) disbursements	(41,735)	(54)	(41,789)
Fund cash balances, January 1, 1999	<u>129,841</u>	<u>230</u>	<u>130,071</u>
Fund cash balances, December 31, 1999	<u>\$ 88,106</u>	<u>\$ 176</u>	<u>\$ 88,282</u>
Reserve for encumbrances, December 31, 1999	<u>\$ 10,307</u>	<u>\$ 0</u>	<u>\$ 10,307</u>

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

VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND-
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>GOVERNMENT FUND TYPES</u>				<u>FIDUCIARY</u>	(Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>FUND</u> <u>Expendable Trust</u>	
Cash receipts:						
Local taxes	\$ 28,844	\$ 20,350	\$ 0	\$ 0	\$ 252,145	\$ 301,339
Intergovernmental	79,824	65,247	0	0	0	145,071
Charges for services	356	46,473	0	0	0	46,829
Fines, licenses, and permits	42,887	0	0	0	0	42,887
Miscellaneous	33,535	174,566	0	140	3,651	211,892
Total cash receipts	185,446	306,636	0	140	255,796	748,018
Cash disbursements:						
Current:						
Security of persons and property	221,034	211,286	0	0	0	432,320
Public health services	4,187	0	0	0	0	4,187
Leisure time activities	0	3,655	0	0	0	3,655
Community environment	600	0	0	0	0	600
Transportation	127,440	104,650	0	0	0	232,090
General government	43,552	539	0	194	33,459	77,744
Capital outlay	0	5,125	0	58,378	0	63,503
Debt service	0	6,750	0	0	0	6,750
Total cash disbursements	396,813	332,005	0	58,572	33,459	820,849
Total receipts over/(under) cash disbursements	(211,367)	(25,369)	0	(58,432)	222,337	(72,831)
Other financing receipts/(disbursements):						
Transfers - in	177,302	67,039	0	54,999	0	299,340
Transfers - out	0	(39,538)	0	0	(259,802)	(299,340)
Other sources	0	0	0	0	0	0
Other uses	(90)	0	0	0	0	(90)
Total other financing receipts/(disbursements)	177,212	27,501	0	54,999	(259,802)	(90)
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(34,155)	2,132	0	(3,433)	(37,465)	(72,921)
Fund cash balances January 1, 1998	39,835	69,589	426	21,876	60,448	192,174
Fund cash balances, December 31, 1998	\$ 5,680	\$ 71,721	\$ 426	\$ 18,443	\$ 22,983	\$ 119,253
Reserve for encumbrances, December 31, 1998	\$ 600	\$ 5,912	\$ 0	\$ 0	\$ 0	\$ 6,512

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

VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND-
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>Proprietary Fund</u>	<u>Fiduciary Fund</u>	<u>(Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>Enterprise</u>
Operating cash receipts:			
Charges for services	\$ 370,680	\$ 30	\$ 370,710
Court fines and forfeitures	0	0	0
Total operating cash receipts	<u>370,680</u>	<u>30</u>	<u>370,710</u>
Operating cash disbursements:			
Personal services	109,747	0	109,747
Court disbursements	0	0	0
Contractual services	9,701	30	9,731
Supplies and materials	117,112	0	117,112
Capital outlay	4,782	0	4,782
Total operating cash disbursements	<u>241,342</u>	<u>30</u>	<u>241,372</u>
Operating income/(loss)	<u>129,338</u>	<u>0</u>	<u>129,338</u>
Non-operating cash receipts:			
Local taxes	0	0	0
Miscellaneous	19,437	66	19,503
Other non-operating revenues	100	0	100
Total non-operating cash receipts	<u>19,537</u>	<u>66</u>	<u>19,603</u>
Non-operating cash disbursements:			
Debt service	120,639	0	120,639
Other non-operating cash disbursements	4,091	1,435	5,526
Total non-operating cash disbursements	<u>124,730</u>	<u>1,435</u>	<u>126,165</u>
Excess of receipts over/(under) disbursements before interfund transfers and advances	24,145	(1,369)	22,776
Transfer - in	46,875	0	46,875
Transfer - out	(46,875)	0	(46,875)
Net receipts over/(under) disbursements	24,145	(1,369)	22,776
Fund cash balances, January 1, 1998	<u>105,696</u>	<u>1,599</u>	<u>107,295</u>
Fund cash balances, December 31, 1998	<u>\$ 129,841</u>	<u>\$ 230</u>	<u>\$ 130,071</u>
Reserve for encumbrances, December 31, 1998	<u>\$ 573</u>	<u>\$ 0</u>	<u>\$ 573</u>

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

VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

- A. **Description of the Entity** – The Village of Mechanicsburg, Champaign 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 general governmental services, including water and sewer utilities, and police and fire protection.

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

- B. **Basis of Accounting** - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Cash and Investments – The Village maintains its cash deposits in an interest-bearing checking account and Certificate of Deposit.

- D. **Fund Accounting** - The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund

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

Fire Fund

This fund receives contract money from the adjoining Townships for the purpose of providing fire protection.

VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Capital Project Funds

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

Fire Building Fund

This fund receives revenue to be used for capital fire building projects

Capital Projects Fund

This fund receives revenues such as Issue II Grant proceeds for the purpose of Village capital projects such as street construction.

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a non expendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds.

Income Tax Fund

This fund receives tax collections from village residents who work or reside in the village, or people who work in the village based on one percent of their gross wages.

Enterprise Funds

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

Water and Sewer Funds

These funds are used to account for proceeds from water and sewer operations. The revenue is to be used to maintain plant operations and for water and sewer improvements.

- E. Budgetary Process** - The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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 Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Estimated Resources

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

Encumbrances

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

A summary of 1999 and 1998 budgetary activity appears in Note 3.

- F. **Property, Plant and Equipment** - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements
- G. **Unpaid Vacation and Sick Leave** – Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS:-

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

	<u>1999</u>	<u>1998</u>	
Demand deposits	\$ 132,437	\$ 246,380	
Certificate of deposit	<u>3,080</u>	<u>2,944</u>	
Total deposits	<u>\$ 135,517</u>	<u>\$ 249,324</u>	

Deposits - The Village's deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) covered by specific collateral held by third party trustees.

VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 1999 was as follows:

1999 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 525,831	\$ 493,208	\$ (32,623)
Special Revenue	202,192	169,793	(32,399)
Debt Service	0	0	0
Capital Project	42,650	27,745	(14,905)
Enterprise	541,572	549,984	8,412
Trust and Agency	<u>264,750</u>	<u>294,072</u>	<u>29,322</u>
Total	<u>\$ 1,576,995</u>	<u>\$ 1,534,802</u>	<u>\$ (42,193)</u>

1999 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 457,150	\$ 498,524	\$ (41,374)
Special Revenue	209,957	203,703	6,254
Debt Service	0	426	(426)
Capital Projects	58,094	41,071	17,023
Enterprise	497,815	602,026	(104,211)
Trust and Agency	<u>288,014</u>	<u>317,111</u>	<u>(29,097)</u>
Total	<u>\$ 1,511,030</u>	<u>\$ 1,662,861</u>	<u>\$ (151,831)</u>

VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

Budgetary activity for the year ending December 31, 1998 was as follows:

1998 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 344,196	\$ 362,748	\$ 18,552
Special Revenue	191,987	373,675	181,688
Debt Service	0	0	0
Capital Project	42,650	55,139	12,489
Enterprise	475,472	437,092	(38,380)
Trust and Agency	<u>255,700</u>	<u>255,892</u>	<u>192</u>
Total	<u>\$ 1,310,005</u>	<u>\$ 1,484,546</u>	<u>\$ 174,541</u>

1998 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 369,589	\$ 397,503	\$ (27,914)
Special Revenue	225,340	377,455	(152,115)
Debt Service	0	0	0
Capital Projects	53,071	58,572	(5,501)
Enterprise	484,793	413,520	71,273
Trust and Agency	<u>300,819</u>	<u>294,726</u>	<u>6,093</u>
Total	<u>\$ 1,433,612</u>	<u>\$ 1,541,776</u>	<u>\$ (108,164)</u>

VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

NOTE 4 – PROPERTY TAX:-

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

NOTE 5 - DEBT:-

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Water Supplemental Loan	\$ 1,526	8.38%
OWDA Water Retirement Loan	61,251	7.40%
OWDA Sewer Retirement Loan	63,571	6.25%
OWDA Sewer Retirement Loan (1991)	861,462	2.00%
OWDA Water Plant/Well Field	403	6.13%
Fire Department Rescue/Pumper Loan	149,465	6.50%
USDA Rural Development Bonds	<u>22,000</u>	4.50%
Total	<u>\$ 1,159,678</u>	

The OWDA Water and Sewer Loans were to build the water and sewer system, and water and sewer improvements with principal and interest installments paid semiannually.

The Fire Department Rescue/Pumper Loan was used for the purchase of a fire rescue/pumper truck with principal and interest installments due semiannually.

The USDA Rural Development was issued bonds in return for \$22,000 which was used for the purchase of an ambulance with the bonds maturing annually with principal and interest due.

VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

NOTE 5 - DEBT:- (continued)

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

Year Ending December 31	OWDA WATER Supplemental Loan	OWDA WATER Retirement Loan	OWDA SEWER Retirement Loan	OWDA SEWER Retirement Loan (1991)	OWDA Water Plant Loan	Fire Department Rescue Loan	USDA Bonds
2000	\$ 522	\$ 20,546	\$ 7,910	\$ 91,368	\$ 403	\$ 23,179	\$ 3,032
2001	522	20,546	7,910	91,368	0	23,179	3,378
2002	522	20,546	7,910	91,368	0	23,179	3,374
2003	522	20,547	7,910	91,368	0	23,179	3,257
2004	0	0	7,910	91,368	0	23,179	3,340
Subsequent	<u>0</u>	<u>0</u>	<u>55,499</u>	<u>548,179</u>	<u>0</u>	<u>81,127</u>	<u>10,037</u>
Total	<u>\$ 2,088</u>	<u>\$ 82,185</u>	<u>\$ 95,049</u>	<u>\$ 1,005,019</u>	<u>\$ 403</u>	<u>\$ 197,022</u>	<u>\$ 26,418</u>

NOTE 6 – RETIREMENT SYSTEMS:-

The Villages law enforcement officers belong to the Police & Firemen’s Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants’ gross salaries. The Village has paid all contributions required through December 31, 1999.

NOTE 7 – RISK MANAGEMENT:-

The Village has obtained insurance from the Ohio Government Risk Management Plan for the following risks:

- General liability
- Auto liability and auto physical damage
- Law enforcement
- Property Coverage
- Public official’s liability

The Village also provides health insurance coverage to full-time employees through a private carrier.

VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

NOTE 8 – CUSTODIANS OF OTHER VILLAGE ASSETS:-

The following funds are maintained by custodians, as legally required. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

Deferred Compensation Assets

Certain employees may elect to participate in the Ohio Deferred Compensation Program (the Program). Amounts withheld from these employees are tax deferred, and are invested by the Program, as directed by the employees. Under Internal Revenue Code Section 457, these assets are contingent assets of the Village. However, management believes it is unlikely it will use these assets to satisfy the claims of general creditors.

NOTE 9 – CONTINGENT LIABILITIES:-

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, in any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



Report on Compliance and on Internal Control Required by *Government Auditing Standards*

Village Council
Village of Mechanicsburg
Champaign County
18 North Main Street
Mechanicsburg, Ohio 43044

We have audited the accompanying financial statements of the Village of Mechanicsburg, Champaign County, Ohio (the Village), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated June 2, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as item N-1. We also noted immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 2, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving compliance and internal control over financial reporting that we have reported to the Management of the Village in a separate letter dated June 2, 2000.

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

Holbrook & Manter, LLP
Certified Public Accountants

June 2, 2000
Marion, Ohio

SCHEDULE OF FINDINGS
VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY
JANUARY 1, 1998 TO DECEMBER 31, 1999

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

Finding Number	
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Non-Compliance

N-1 Ohio Revised Code Section 5705.41(D), states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is presented for payment, the taxing authority may authorize the payment provided there are appropriated sufficient sums for the purpose of such contracts and is in the treasury or process of collection to the credit of an appropriate fund free from a previous encumbrance provided such action is taken within thirty days of the contract date, and the amount is less than \$1,000.

Nearly all of the expenditures tested for 1998 and 1999 were initiated without obtaining the prior certification of the Clerk. None of these expenditures met the exception provided for in this section.

In addition, several funds had expenditures in excess of appropriations for 1999 and 1998.

Neither of these budgetary controls were properly working. These budgetary controls are essential to ensure proper spending and to avoid unnecessary expenditures. Procedures should be adopted by the Village that would assure that commitments are properly encumbered prior to the expenditure of Village funds. Procedures should also be adopted that would assure that expenditures do not exceed appropriations.



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OFFICE OF THE AUDITOR

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VILLAGE OF MECHANICSBURG

CHAMPAIGN 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
NOVEMBER 14, 2000