

**VILLAGE OF MECHANICSBURG**  
**DAYTON REGION, CHAMPAIGN COUNTY**  
**REPORT ON FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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Village Council  
Village of Mechanicsburg  
Mechanicsburg, OH 43044

We have reviewed the Independent Auditor's Report of the Village of Mechanicsburg, Champaign County, prepared by Holbrook & Manter, for the audit period January 1, 2000 through December 31, 2001. 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.

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JIM PETRO  
Auditor of State

September 23, 2002

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**INDEPENDENT AUDITORS' 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, 2001 and December 31, 2000. These financial statements are the responsibility of the Village management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America.

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, 2001 and December 31, 2000, 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 14, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the management, Village Council 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*  
Certified Public Accountants

June 14, 2002  
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, 2001**

	<b>GOVERNMENT FUND TYPES</b>			<b>FIDUCIARY</b>	<b>(Memorandum</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Project</b>	<b>FUND Expendable Trust</b>	<b>Only) Total</b>
<b>Cash receipts:</b>					
Local taxes	\$ 35,294	\$ 20,684	\$ 0	\$ 301,861	\$ 357,839
Intergovernmental	85,199	60,267	0	0	145,466
Charges for services	1,890	47,581	0	0	49,471
Fines, licenses, and permits	23,086	572	0	0	23,658
Miscellaneous	19,045	1,538	123	225	20,931
Total cash receipts	<u>164,514</u>	<u>130,642</u>	<u>123</u>	<u>302,086</u>	<u>597,365</u>
<b>Cash disbursements:</b>					
<b>Current:</b>					
Security of persons and property	264,850	26,006	0	0	290,856
Public health services	4,254	0	0	0	4,254
Leisure time activities	0	2,850	0	0	2,850
Basic utility services	1,304	0	0	0	1,304
Transportation	0	87,006	0	0	87,006
General government	126,241	523	0	0	126,764
Capital outlay	388	18,042	10,450	0	28,880
Debt service	0	23,093	0	0	23,093
Total cash disbursements	<u>397,037</u>	<u>157,520</u>	<u>10,450</u>	<u>0</u>	<u>565,007</u>
Total receipts over/(under) cash disbursements	<u>( 232,523)</u>	<u>( 26,878)</u>	<u>( 10,327)</u>	<u>302,086</u>	<u>32,358</u>
Other financing receipts/(disbursements):					
Transfers - in	302,086	57,994	17,500	0	377,580
Transfers - out	( 51,514)	( 23,980)	0	( 302,086)	( 377,580)
Other uses	( 9,387)	0	0	0	( 9,387)
Total other financing receipts/(disbursements)	<u>241,185</u>	<u>34,014</u>	<u>17,500</u>	<u>( 302,086)</u>	<u>( 9,387)</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	8,662	7,136	7,173	0	22,971
Fund cash balances January 1, 2001	<u>( 4,646)</u>	<u>63,863</u>	<u>11,594</u>	<u>0</u>	<u>70,811</u>
Fund cash balances, December 31, 2001	<u>\$ 4,016</u>	<u>\$ 70,999</u>	<u>\$ 18,767</u>	<u>\$ 0</u>	<u>\$ 93,782</u>
Reserve for encumbrances, December 31, 2001	<u>\$ 3,554</u>	<u>\$ 15,712</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,266</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, 2001**

	<b><u>PROPRIETARY FUND</u></b>	<b><u>FIDUCIARY FUND</u></b>	<b><u>(Memorandum Only)</u></b>
	<b><u>Enterprise</u></b>	<b><u>Agency</u></b>	<b><u>Total</u></b>
<b>Operating cash receipts:</b>			
Charges for services	\$ 481,963	\$ 0	\$ 481,963
Total operating cash receipts	<u>481,963</u>	<u>0</u>	<u>481,963</u>
<b>Operating cash disbursements:</b>			
Personal services	190,589	0	190,589
Contractual services	37,910	0	37,910
Supplies and materials	119,501	0	119,501
Capital outlay	5,666	0	5,666
Total operating cash disbursements	<u>353,666</u>	<u>0</u>	<u>353,666</u>
Operating income	<u>128,297</u>	<u>0</u>	<u>128,297</u>
<b>Non-operating cash receipts:</b>			
Local taxes	95	0	95
Miscellaneous	26,858	0	26,858
Total non-operating cash receipts	<u>26,953</u>	<u>0</u>	<u>26,953</u>
<b>Non-operating cash disbursements:</b>			
Debt service	130,456	0	130,456
Other non-operating cash disbursements	5,219	0	5,219
Total non-operating cash disbursements	<u>135,675</u>	<u>0</u>	<u>135,675</u>
Excess of receipts over disbursements before interfund transfers and advances	19,575	0	19,575
Transfer - in	37,971	0	37,971
Transfer - out	( 37,971)	0	( 37,971)
Net receipts over disbursements	19,575	0	19,575
Fund cash balances, January 1, 2001	<u>128,795</u>	<u>226</u>	<u>129,021</u>
Fund cash balances, December 31, 2001	<u>\$ 148,370</u>	<u>\$ 226</u>	<u>\$ 148,596</u>
Reserve for encumbrances, December 31, 2001	<u>\$ 3,972</u>	<u>\$ 0</u>	<u>\$ 3,972</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, 2000**

	<b>GOVERNMENT FUND TYPES</b>			<b>FIDUCIARY</b>	<b>(Memorandum</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Project</b>	<b>FUND Expendable Trust</b>	<b>Only) Total</b>
<b>Cash receipts:</b>					
Local taxes	\$ 37,787	\$ 23,619	\$ 0	\$ 329,952	\$ 391,358
Intergovernmental	85,789	71,319	0	0	157,108
Charges for services	1,870	37,364	0	0	39,234
Fines, licenses, and permits	21,607	314	0	0	21,921
Miscellaneous	20,811	1,440	66	646	22,963
Total cash receipts	<u>167,864</u>	<u>134,056</u>	<u>66</u>	<u>330,598</u>	<u>632,584</u>
<b>Cash disbursements:</b>					
<b>Current:</b>					
Security of persons and property	243,250	39,695	0	0	282,945
Public health services	4,354	0	0	0	4,354
Leisure time activities	0	2,653	0	0	2,653
Basic utility services	1,203	0	0	0	1,203
Transportation	0	85,135	0	0	85,135
General government	177,922	611	0	0	178,533
Capital outlay	3,460	8,984	24,539	0	36,983
Debt service	0	9,231	0	0	9,231
Total cash disbursements	<u>430,189</u>	<u>146,309</u>	<u>24,539</u>	<u>0</u>	<u>601,037</u>
Total receipts over/(under) cash disbursements	<u>( 262,325)</u>	<u>( 12,253)</u>	<u>( 24,473)</u>	<u>330,598</u>	<u>31,547</u>
Other financing receipts/(disbursements):					
Transfers - in	330,598	69,332	30,950	0	430,880
Transfers - out	( 67,620)	( 32,662)	0	( 330,598)	( 430,880)
Other sources	0	0	3,146	0	3,146
Other uses	( 7,971)	0	( 3,146)	0	( 11,117)
Total other financing receipts/(disbursements)	<u>255,007</u>	<u>36,670</u>	<u>30,950</u>	<u>( 330,598)</u>	<u>( 7,971)</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	( 7,318)	24,417	6,477	0	23,576
Fund cash balances January 1, 2000	<u>2,672</u>	<u>39,446</u>	<u>5,117</u>	<u>0</u>	<u>47,235</u>
Fund cash balances, December 31, 2000	<u>\$ ( 4,646)</u>	<u>\$ 63,863</u>	<u>\$ 11,594</u>	<u>\$ 0</u>	<u>\$ 70,811</u>
Reserve for encumbrances, December 31, 2000	<u>\$ 851</u>	<u>\$ 2,998</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,849</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, 2000**

	<u>Proprietary Fund</u>	<u>Fiduciary Fund</u>	<u>(Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>Total</u>
<b>Operating cash receipts:</b>			
Charges for services	\$ 440,394	\$ 50	\$ 440,444
Total operating cash receipts	<u>440,394</u>	<u>50</u>	<u>440,444</u>
<b>Operating cash disbursements:</b>			
Personal services	155,204	0	155,204
Contractual services	7,220	0	7,220
Supplies and materials	140,149	0	140,149
Capital outlay	59,404	0	59,404
Total operating cash disbursements	<u>361,977</u>	<u>0</u>	<u>361,977</u>
Operating income	<u>78,417</u>	<u>50</u>	<u>78,467</u>
<b>Non-operating cash receipts:</b>			
Local taxes	12	0	12
Miscellaneous	99,384	0	99,384
Other non-operating revenues	100	0	100
Total non-operating cash receipts	<u>99,496</u>	<u>0</u>	<u>99,496</u>
<b>Non-operating cash disbursements:</b>			
Debt service	132,724	0	132,724
Other non-operating cash disbursements	4,500	0	4,500
Total non-operating cash disbursements	<u>137,224</u>	<u>0</u>	<u>137,224</u>
Excess of receipts over disbursements before interfund transfers and advances	40,689	50	40,739
Transfer - in	37,972	0	37,972
Transfer - out	<u>( 37,972)</u>	<u>0</u>	<u>( 37,972)</u>
Net receipts over disbursements	40,689	50	40,739
Fund cash balances, January 1, 2000	<u>88,106</u>	<u>176</u>	<u>88,282</u>
Fund cash balances, December 31, 2000	<u>\$ 128,795</u>	<u>\$ 226</u>	<u>\$ 129,021</u>
Reserve for encumbrances, December 31, 2000	<u>\$ 5,696</u>	<u>\$ 0</u>	<u>\$ 5,696</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, 2001 AND 2000**

**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.

- C. **Cash and Investments** – Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sale of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of Deposits are valued at cost.

- 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, 2001 AND 2000**

**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.

Ambulance Fund

This fund is used to account for proceeds from emergency medical services. The revenue is to be used to maintain the operations and equipment.

- 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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF MECHANICSBURG**  
**CHAMPAIGN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**

**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 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.

Ohio Revised Code Section 5705.41 (D) States that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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.

Numerous expenditures tested for 2000 and 2001 were initiated without obtaining the prior certification of the Clerk. None of these expenditures met the exception provided for in section 5705.41 (d) (i.e. then and now certificate).

A summary of 2001 and 2000 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:-**

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

	2001	2000	
Deposits	\$ 239,108	\$ 196,686	
Certificate of deposit	3,269	3,146	
Total deposits	\$ 242,377	\$ 199,832	

**Deposits** - The Village's deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF MECHANICSBURG**  
**CHAMPAIGN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**

**NOTE 3 - BUDGETARY ACTIVITY:-**

Budgetary activity for the year ending December 31, 2001 was as follows:

**2001 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 497,686	\$ 466,601	\$ (31,085)
Special Revenue	284,386	188,636	(95,750)
Capital Project	55,744	17,623	(38,121)
Enterprise	546,378	546,887	509
Trust and Agency	<u>335,794</u>	<u>302,086</u>	<u>(33,708)</u>
Total	<u>\$ 1,719,988</u>	<u>\$ 1,521,833</u>	<u>\$ (198,155)</u>

**2001 Budgeted VS. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 494,659	\$ 461,492	\$ 33,167
Special Revenue	252,148	197,212	54,936
Capital Projects	53,269	10,450	42,819
Enterprise	572,642	531,284	41,358
Trust and Agency	<u>311,776</u>	<u>302,086</u>	<u>9,690</u>
Total	<u>\$ 1,684,494</u>	<u>\$ 1,502,524</u>	<u>\$ 181,970</u>

For fiscal year 2001 the following funds had expenditures in excess of appropriations: General Fund, Water Fund, Street Fund, Fire Fund, Ambulance Fund, Sanitary Sewer Fund, and Capital Projects Fund.

**VILLAGE OF MECHANICSBURG**  
**CHAMPAIGN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**

**NOTE 3 - BUDGETARY ACTIVITY:-** (continued)

Budgetary activity for the year ending December 31, 2000 was as follows:

**2000 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 474,901	\$ 498,461	\$ 23,560
Special Revenue	265,366	203,388	(61,978)
Capital Project	50,268	34,162	(16,106)
Enterprise	508,074	577,862	69,788
Trust and Agency	<u>322,604</u>	<u>330,648</u>	<u>8,044</u>
Total	<u>\$ 1,621,213</u>	<u>\$ 1,644,521</u>	<u>\$ 23,308</u>

**2000 Budgeted VS. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 465,856	\$ 506,631	\$ (40,775)
Special Revenue	225,057	181,969	43,088
Capital Projects	49,230	27,685	21,545
Enterprise	502,941	542,869	(39,928)
Trust and Agency	<u>296,376</u>	<u>330,598</u>	<u>(34,222)</u>
Total	<u>\$ 1,539,460</u>	<u>\$ 1,589,752</u>	<u>\$ (50,292)</u>

For fiscal year 2000 the following funds had expenditures in excess of appropriations: General Fund, Water Fund, Street Fund, Fire Fund, Ambulance Fund, Sanitary Sewer Fund, Capital Projects Fund and Sewer OWDA Fund.

**VILLAGE OF MECHANICSBURG**  
**CHAMPAIGN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**

**NOTE 4 - ACCOUNTABILITY:-**

The following fund had a deficit fund balance as of December 31, 2000:

<u>Fund Type/Fund</u>	<u>Deficit Fund Balance</u>
General Fund	\$ 4,646

This deficit is the result of accumulated operating losses. The Village alleviated the deficit in 2001.

**NOTE 5 – PROPERTY TAX:-**

Real property taxes become a lien on January 1, preceding the October 1 date for which rates are adopted by the Village Council. 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 6 – LOCAL INCOME TAX:-**

The Village levies a municipal income tax of 1.0% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside 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.



**VILLAGE OF MECHANICSBURG**  
**CHAMPAIGN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**

**NOTE 7 - DEBT:-**

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Water Supplemental Loan	\$ 704	8.38%
OWDA Water Retirement Loan	28,038	7.40%
OWDA Sewer Retirement Loan	55,451	6.25%
OWDA Sewer Retirement Loan (1991)	699,692	2.00%
Citizens National Bank	42,646	6.25%
Fire Department Rescue/Pumper Loan	120,813	6.50%
USDA Rural Development Bonds	<u>17,200</u>	4.50%
Total	<u>\$ 964,544</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.

The Citizens National Bank Loan was used for water and sewer improvements with principal and interest installments due monthly.

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)	Citizens National Bank Loan	Fire Department Rescue Loan	USDA Bonds
2002	\$ 522	\$ 10,274	\$ 3,955	\$ 45,684	\$ 6,737	\$ 23,179	\$ 3,374
2003	522	20,546	7,910	91,368	6,737	23,179	3,257
2004	0	0	7,910	91,368	6,737	23,179	3,340
2005	0	0	7,910	91,368	6,737	23,179	3,414
2006	0	0	7,910	91,368	6,737	23,179	3,279
2007 and thereafter	<u>0</u>	<u>0</u>	<u>39,679</u>	<u>365,443</u>	<u>20,772</u>	<u>34,769</u>	<u>3,344</u>
Total	<u>\$ 1,044</u>	<u>\$ 30,820</u>	<u>\$ 75,274</u>	<u>\$ 776,599</u>	<u>\$ 54,457</u>	<u>\$ 150,664</u>	<u>\$ 20,008</u>

**VILLAGE OF MECHANICSBURG**  
**CHAMPAIGN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**

**NOTE 8 – 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 healthcare, 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 2001 and 2000, 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 wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. PERS temporarily reduced employer contributions to 8.13%, effective July 1, 2000 to December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**NOTE 9 – 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.

**NOTE 10 – 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 OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH 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, 2001 and December 31, 2000, and have issued our report thereon dated June 14, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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, N-2, N-3 & N-4. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 14, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items R-1 & R-2.

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 the risk that misstatements in amounts that would be material in relation to the general purpose 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the items described above, we consider items R-1, R-2, N-1, N-2, N-3 & N-4 to be material weaknesses. We also 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 14, 2002.

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



Certified Public Accountants

June 14, 2002  
Marion, Ohio

**SCHEDULE OF FINDINGS**  
**VILLAGE OF MECHANICSBURG**  
**CHAMPAIGN COUNTY**  
**JANUARY 1, 2000 TO DECEMBER 31, 2001**

**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 orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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.

Numerous expenditures tested for 2000 and 2001 were initiated without obtaining the prior certification of the Clerk. None of these expenditures met the exception provided for in section 5705.41 (d) (i.e. then and now certificate).

In addition, the general fund, water and sewer funds and the income tax fund had expenditures in excess of appropriations for 2000.

These budgetary controls were not 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.

**N-2** Ohio Revised Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

As of December 31, 2000, the General Fund had a negative fund balance of \$4,646.

The budgetary controls were not properly working. These budgetary controls are essential to ensure proper spending and payment from proper funds. Procedures should be adopted by the Village that would assure that funds do not have a negative fund balance and that expenditures are from the proper funds.

**N-3** Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

For fiscal year 2000 the following funds had expenditures in excess of appropriations: General Fund, Water Fund, Street Fund, Fire Fund, Ambulance Fund, Sanitary Sewer Fund, Capital Projects Fund and Sewer OWDA Fund. For fiscal year 2001 the following funds had expenditures in excess of appropriations: General Fund, Water Fund, Street Fund, Fire Fund, Ambulance Fund, Sanitary Sewer Fund, and Capital Projects Fund.

The budgetary controls were not 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 ensure that expenditures do not exceed appropriations.

**N-4** Ohio Rev. Code Section 5705.41 (C) states that no subdivision is to expend money except by a proper warrant drawn against an appropriate fund.

During expenditure testing, we noted 6% of the expenditures tested in 2000 were not charged to the proper fund. Per discussion with current clerk, prior clerk, who left in 2000, made several entries to wrong accounts. Subsequent to prior clerk leaving, all expenditures appeared to be recorded in the proper fund.

The proper recording of expenditures is essential to ensure that funds are not over drawn and to ensure that the budget process is working properly and is a useful tool for management. Procedures should be adopted to ensure that the Village records expenditures to the proper accounts.

### **Reportable Conditions**

**R-1** During our examination and testing of expenditures, we noted that client did not retain an invoice or other adequate support for 27.0% and 5.5% of the expenditures tested in 2000 and 2001 respectively. Adequate documentation is a key element of an internal control system, this condition limits the control and accountability over Village expenditures and allows for the possibility of improper payment to occur, however, none were noted. We recommend that invoices for all expenditures be retained to support each expenditure.

**R-2** During our planning phase, client indicated that all invoices are reviewed by Village Council and approved from payment. The control step is documented by Village Council initialing the invoice to indicate approval. During expenditure testing we noted numerous instances where the invoices contained no initials of Council members. The lack of this control element limits the control and accountability over Village expenditures and allows for the possibility of improper payment to occur, however, none were noted. We recommend that all invoices contain approval initials by Village Council before any invoice is paid.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
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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  
OCTOBER 3, 2002**