

**VILLAGE OF WEST MANCHESTER**

**PREBLE COUNTY**

CINCINNATI REGION

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of West Manchester, Preble County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2006 through December 31, 2007. 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 *Independent Accountants' Report* 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 *Independent Accountants' Report* 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 15, 2008

**This Page is Intentionally Left Blank.**

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1 - 2
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2007	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006	6
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2006	7
Notes to the Financial Statements	8 - 15
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	16 - 17
Schedule of Findings	18 - 21
Schedule of Prior Audit Findings	22

**This Page is Intentionally Left Blank.**

**MANNING & ASSOCIATES CPAs, LLC**  
**6105 NORTH DIXIE DRIVE**  
**DAYTON, OHIO 45414**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

We have audited the accompanying financial statements of the Village of West Manchester, Preble County (the Village), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 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, 2007 and 2006.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of West Manchester, Preble County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2008 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC  
Dayton, Ohio

July 1, 2008



**This page intentionally left blank.**

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

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

	GOVERNMENTAL FUND TYPES				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 14,643	\$ 1,967	\$ 0	\$ 0	\$ 16,610
Intergovernmental Receipts	84,538	24,450	0	0	108,988
Charges for Services	22,565	36,847	0	15,000	74,412
Fines, Licenses and Permits	132	1,015	0	0	1,147
Earnings on Investments	7,877	0	0	0	7,877
Miscellaneous	3,475	2,191	0	0	5,666
<b>Total Cash Receipts</b>	<u>133,230</u>	<u>66,470</u>	<u>0</u>	<u>15,000</u>	<u>214,700</u>
<b>Cash Disbursements:</b>					
Security of Persons and Property	5,632	43,969	0	1,175	50,776
Community Environment	867	0	0	0	867
Basic Utility Services	21,650	0	0	0	21,650
Transportation	2,524	14,068	0	0	16,592
General Government	54,500	0	0	0	54,500
Capital Outlay	0	23,096	0	0	23,096
<b>Total Cash Disbursements</b>	<u>85,173</u>	<u>81,133</u>	<u>0</u>	<u>1,175</u>	<u>167,481</u>
<b>Total Receipts Over/(Under) Disbursements</b>	48,057	(14,663)	0	13,825	47,219
<b>Other Financing Receipts/(Disbursements):</b>					
Advances-In	10,902				10,902
Advances-Out	(18,312)				(18,312)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(7,410)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(7,410)</u>
<b>Excess of Cash Receipts and Other Financing Receipts over/(under) Cash Disbursements and Other Financing Disbursements</b>	40,647	(14,663)	0	13,825	39,809
<b>Fund Cash Balances, January 1,</b>	<u>129,148</u>	<u>45,792</u>	<u>8</u>	<u>66,609</u>	<u>241,557</u>
<b>Fund Cash Balances, December 31,</b>	<u>\$ 169,795</u>	<u>\$ 31,129</u>	<u>\$ 8</u>	<u>\$ 80,434</u>	<u>\$ 281,366</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

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

	PROPRIETARY FUND TYPE
	Enterprise
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 179,553
Total Operating Revenues	179,553
<b>Operating Cash Disbursements:</b>	
Personal Services	50,404
Travel Transportation	2,239
Contractual Services	56,121
Supplies and Materials	7,554
Total Operating Cash Disbursements	116,318
Operating Income	63,235
<b>Non Operating Cash Receipts:</b>	
Intergovernmental	6,676
Total Non-Operating Cash Receipts	6,676
<b>Non Operating Cash Disbursements:</b>	
Debt Service:	
Principal Payments	28,676
Interest Payments	59,053
Total Non-Operating Cash Disbursements	87,729
Excess Receipts over Disbursements	
Before Operating Transfers and Advances	(17,818)
Transfers In	84,770
Transfers Out	(84,770)
Advances - In	18,312
Advances - Out	(10,902)
Excess of Cash Receipts Over (Under) Cash Disbursements	(10,408)
<b>Fund Cash Balances, January 1,</b>	80,554
<b>Fund Cash Balances, December 31,</b>	\$ 70,146

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	GOVERNMENTAL FUND TYPES				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 13,314	\$ 238	\$ 0	\$ 0	\$ 13,552
Intergovernmental Receipts	38,252	25,278	0	27,051	90,581
Charges for Services	20,671	38,800	0	500	59,971
Fines, Licenses and Permits	0	695	0	0	695
Earnings on Investments	7,004	0	0	0	7,004
Miscellaneous	3,805	16,052	0	0	19,857
				0	
Total Cash Receipts	<u>83,046</u>	<u>81,063</u>	<u>0</u>	<u>27,551</u>	<u>191,660</u>
<b>Cash Disbursements:</b>					
Security of Persons and Property	5,405	47,323	0	26,969	79,697
Community Environment	664	0	0	0	664
Basic Utility Services	21,001	0	0	15,957	36,958
Transportation	2,370	14,841	0	0	17,211
General Government	38,879	0	0	0	38,879
Capital Outlay	0	33,471	0	0	33,471
Total Cash Disbursements	<u>68,319</u>	<u>95,635</u>	<u>0</u>	<u>42,926</u>	<u>206,880</u>
Total Receipts Over/(Under) Disbursements	14,727	(14,572)	0	(15,375)	(15,220)
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers In	0	0	0	0	0
Transfers Out	(8,459)	0	0	0	(8,459)
Advances In	46,793	10,000	0	0	56,793
Advances Out	(10,000)	(10,000)	0	0	(20,000)
Total Other Financing Receipts/(Disbursements)	<u>28,334</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>28,334</u>
Excess of Cash Receipts and Other Financing Receipts over/(under) Cash Disbursements and Other Financing Disbursements	43,061	(14,572)	0	(15,375)	13,114
<b>Fund Cash Balances, January 1,</b>	<u>86,087</u>	<u>60,364</u>	<u>8</u>	<u>81,984</u>	<u>228,443</u>
<b>Fund Cash Balances, December 31,</b>	<u>\$ 129,148</u>	<u>\$ 45,792</u>	<u>\$ 8</u>	<u>\$ 66,609</u>	<u>\$ 241,557</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006

	PROPRIETARY FUND TYPE
	Enterprise
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 189,745
Miscellaneous	300
Total Operating Revenues	190,045
<b>Operating Cash Disbursements:</b>	
Personal Services	49,652
Travel Transportation	42,423
Contractual Services	39,829
Supplies and Materials	10,479
Capital Outlay	12,006
Total Operating Cash Disbursements	154,389
Operating Income	35,656
<b>Non Operating Cash Receipts:</b>	
Intergovernmental	31,858
Sale of Notes	39,238
Total Non-Operating Cash Receipts	71,096
<b>Non Operating Cash Disbursements:</b>	
Debt Service:	
Principal Payments	1,394,402
Interest Payments	54,755
Total Non-Operating Cash Disbursements	1,449,157
Excess Receipts over Disbursements Before Operating Transfers and Advances	(1,342,405)
Transfers In	181,774
Transfers Out	(173,315)
Advance Out	(36,793)
Excess of Cash Receipts Over (Under) Cash Disbursements	(1,370,739)
<b>Fund Cash Balances, January 1,</b>	1,451,293
<b>Fund Cash Balances, December 31,</b>	\$ 80,554

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

---

**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's is financially accountable.

**B. Basis of Accounting**

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 a payment is made 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**

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 and investments 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  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

---

**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. Debt Service Fund:**

This fund is used to accumulate resources for the payment of land acquisition indebtedness.

**4. Capital Projects Fund:**

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:

*Ohio Public Works Commission Fund* – This fund receives grant proceeds. The proceeds are being used to construct a waste water treatment plant.

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

**5. 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.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Fund Accounting** (continued):

**B. Enterprise Funds** (continued):

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

**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. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

The Village records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.



**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**G. Unpaid Vacation and Sick Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and deposits 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:

	<b>2007</b>	<b>2006</b>
Demand deposits	\$131,012	\$101,611
Certificate of Deposit	<u>220,500</u>	<u>220,500</u>
Total	<u>\$351,512</u>	<u>\$322,111</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  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 as follows:

**2007 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 134,500	133,230	\$ (1,270)
Special Revenue	113,475	66,470	(47,005)
Debt Service	100	0	(100)
Capital Projects	25,000	15,000	(10,000)
Enterprise Funds	300,675	270,999	(29,676)
Total	<u>\$ 573,750</u>	<u>\$ 485,699</u>	<u>\$ (88,051)</u>

**2007 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 98,250	85,173	\$ 13,077
Special Revenue	102,650	81,133	21,517
Debt Service	100	0	100
Capital Projects	1,700	1,175	525
Enterprise Funds	306,370	288,817	17,553
Total	<u>\$ 509,070</u>	<u>\$ 456,298</u>	<u>\$ 52,772</u>

**2006 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 125,000	83,046	\$ (41,954)
Special Revenue	154,000	81,063	(72,937)
Debt Service	1,000	0	(1,000)
Capital Projects	95,000	27,551	(67,449)
Enterprise Funds	368,865	442,915	74,050
Total	<u>\$ 743,865</u>	<u>\$ 634,575</u>	<u>\$ (109,290)</u>

**2006 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 208,505	76,778	\$ 131,727
Special Revenue	178,600	95,635	82,965
Debt Service	1,000	0	1,000
Capital Projects	150,050	42,926	107,124
Enterprise Funds	1,808,326	1,776,861	31,465
Total	<u>\$ 2,346,481</u>	<u>\$ 1,992,200</u>	<u>\$ 354,281</u>

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

---

**3. BUDGETARY COMPLIANCE** (continued)

Contrary to Ohio law, estimated resources exceeded actual receipts in 2007 and 2006.

**4. 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. 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 make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**5. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Ohio Public Works Commission Loan	\$ 200,700	0.00%
Sewer System Mortgage Revenue Bonds	225,340	4.25%
Issuers Sewer System	1,113,970	4.25%
Ohio Water Development Authority	<u>38,534</u>	3.92%
	<u>\$1,578,544</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.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

---

**5. DEBT (continued)**

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.

Amortization of the above debt is scheduled as follows:

	Mortgage Revenue Bonds	Issuers Sewer System Bonds	OPWC Loan	OWDA Loan
2008	\$12,057	\$59,604	\$6,921	\$1,118
2009	12,052	59,603	13,842	2,236
2010	12,062	59,600	13,842	2,236
2011	12,057	59,593	13,842	2,236
2012	12,058	59,604	13,842	2,236
2013-2022	120,562	595,992	138,411	22,357
2023-2032	120,561	596,007	0	22,358
2033-thereafter	156,728	774,791	0	10,074
Total	\$458,137	\$2,264,794	\$200,700	\$64,851

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9.0% respectively, of their gross salaries and the Village contributed an amount equaling 13.85% and 13.7% respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- i. Comprehensive property and general liability
- ii. Vehicles
- iii. Errors and omissions

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

---

**8. LITIGATION**

The Village is currently involved in a lawsuit with Gasper Township. It is alleged the Village received an over allocation of \$29,289 and \$19,942 from the Government Revenue Assistance Fund for 2006 and 2005, respectively, from the Preble County Budget Commission. The claim was ruled in favor of the Village on June 15, 2007. Gasper Township has since filed an appeal with the Ohio Supreme Court.

**MANNING & ASSOCIATES CPAs, LLC**  
**6105 NORTH DIXIE DRIVE**  
**DAYTON, OHIO 45414**

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

Village Council  
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, Ohio (the Village), as of and for the years ended December 31, 2007, and 2006, and have issued our report thereon dated July 1, 2008 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. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting: 2007-003 through 2007-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, the significant deficiencies described above, finding 2007-003 through 2007-005, are also material weaknesses.

We noted certain internal control matters that we reported to the Village's management in a separate letter dated July 1, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2007-001 through 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 1, 2008.

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

Manning & Associates CPAs, LLC  
Dayton, Ohio

July 1, 2008

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2006-001**

**Ohio Rev. Code, Section 5705.41 (D)**, requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. These certificates need to be signed only by a subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

- A. **Then and Now Certificates** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
  
- B. If the amount involved is less than \$3,000, the Fiscal Officer may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

The Village did not properly certify the availability of funds for 10 items in 2007 and 6 items in 2006 of expenditures tested and neither of the above two exceptions applied.

Failure to properly certify the availability of funds can result in overspending available funds and negative cash fund balances. Effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. We recommend that Village obtain approved purchase orders, including amounts, which contain the Fiscal Officer's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

Response: The Fiscal Officer will use then and now when deemed necessary as per ORC.



**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2007-002**

**Ohio Rev. Code, Section 5705.36**, requires all subdivisions to request reduced amended certificates upon determination by the Fiscal Officer that revenue to be collected will be less than the amount in the official certificate of estimated resources. The intent of this requirement is to require the Fiscal Officer to obtain a reduced amended certificate when it appears that budgetary resources will fall short of earlier estimates, reducing the possibility that deficit spending will occur. The actual receipts were below estimated receipts for the Village in the following funds:

Year	Fund	Estimated Resources	Actual Receipts	Variance
2006	Debt Service	1,000	0	1,000
2006	Police	3,000	925	2,075
2006	Fire	100,000	64,852	35,148
2006	Highway	2,000	1,198	802
2006	Street	45,000	24,087	20,913
2006	Truck Reserve	20,000	500	19,500
2006	Water	115,000	96,802	18,198
2006	Sinking	80,000	77,558	2,442
2006	OPWC	75,000	38,145	36,855
2006	OWDA	50,000	39,538	10,462
2007	Debt Service	100	0	100
2007	Police	7,000	1,200	5,800
2007	Fire	49,700	38,842	10,858
2007	Highway	1,500	425	1,075
2007	Street	54,975	25,309	29,666
2007	Truck Reserve	25,000	15,000	10,000
2007	Water	79,875	53,960	25,915
2007	Utility Deposit	5,000	3,100	1,900

Failure to properly monitor estimated resources could result in overspending of monies and cause the Village to have negative fund balances. We recommend that the Village monitor its actual receipts throughout the year, enter estimated receipts into the general ledger, and prepare amended official certificates of estimated resources as necessary.

Response: The Village Council and Fiscal Officer recognize the importance of budgetary law and plan to monitor budgetary receipts in the future.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006

---

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2007-003**

**Bank Reconciliations**

The Village did not reconcile between the bank balance and the Village's fund balances at month end. Failure to reconcile on a regular basis could result in undetected errors between the book and the bank. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well as, ensure that all recorded transactions have been deposited with the financial institution.

We recommend the Village reconcile the account on a monthly basis at month end. The reconciled checking account balance at month end (bank balance less outstanding checks plus deposits in transit) plus each certificate of deposit balance should equal the total fund balance. Any variances should be immediately investigated and justified. We also recommend that a council member review and sign off on the reconciliation thereby indicated their approval and ensuring timeliness of reconciliations. Monthly outstanding checklists should be maintained. Checks should be written in numerical order.

Response: The Village will prepare monthly reports and bank reconciliation for Council review.

**FINDING NUMBER 2007-004**

**Financial Reporting and Budgetary Financial Statements**

The Village's annual financial reports for both 2007 and 2006 had some revenue and expenditure line items that were not placed correctly on the reports. Debt proceeds were included in intergovernmental receipts. The budgetary information was incomplete. Failure to record and report the budgetary data accurately presents an inaccurate comparison of the budgetary activity.

This does not present an accurate picture of the financial status of the Village and can mislead the users of the report. The Village Fiscal Officer should review the reports to ensure that all revenues and expenditures are reported correctly on the annual financial report. The Fiscal Officer should reconcile the year end budgetary data with the approved amounts to ensure the budgetary activity is being reported accurately.

Response: The Fiscal Officer will make every effort to report all budgetary items correctly in the future as approved by council and submitted to the Preble County Auditor and review the report for accuracy.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006

---

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2007-005**

**Reportable Condition**

Ohio Rev. Code, Section 733.28, requires the Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village did not properly classify receipt and disbursement transactions. An accurate record was not maintained for all monies received by the Village. The following items were noted:

- A. Revenue and disbursements paid directly by the Ohio Public Works Commission (in the form of loans and grants) were not properly posted to the ledgers and annual financial report.
- B. The cash journals did not agree with the receipt journals and appropriation ledgers for 2006 or 2007 and the annual financial reports did not agree to the cash fund journals.
- C. Expenditure items were not properly classified on the annual financial reports.

All of these conditions exhibit a lack of control over the recording and reporting of Village financial activity and did result in inaccurate accounting records.

We recommend the Village post all entries in the cash journal in chronological order, reflecting month-to-date and year-to-date totals. We also recommend the Village reconcile the cash journal to the bank, the receipt ledger, and the appropriation ledger on a monthly basis. Implementation of these procedures will add a substantial measure of control to the receipt and expenditure process, as well as provide assurance that the activity is properly handled and fairly presented on the Village's ledgers and financial reports. The Village has made these adjustments to their books and the adjustments are reflected in the financial statements.

Response: The Village will review its current accounting methods and implement changes where needed.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; <b>Explain</b>
2005-001	ORC 135.18 - Failure to have Depository Agreement	Yes	
2005-002	ORC 5705.36 - Estimated receipts exceeding actual receipts	No	Reissued as Finding 2007-002
2005-003	ORC 5705.36 - Failure to certify tax budget	Yes	
2005-004	ORC 5705.38 - Failure to pass Appropriations	Yes	
2005-005	ORC 5705.39 - Failure to properly monitor estimated resources	Yes	
2005-006	ORC 5705.41 (B) - Failure to properly monitor appropriations	Yes	
2005-007	ORC 5705.10 - Failure to properly monitor negative fund balances	Yes	
2005-008	ORC 733.28 - Failure to properly maintain books and records	No	Reissued as Finding 2007-005
2005-009	Failure to reconcile monthly bank statements	No	Reissued as Finding 2007-003
2005-010	Failure to properly maintain payroll records for fire department	Yes	



**Mary Taylor, CPA**  
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  
SEPTEMBER 25, 2008**