



Dave Yost • Auditor of State

VILLAGE OF WEST ALEXANDRIA
PREBLE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2010.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2009.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	21

This page intentionally left blank.



Dave Yost • Auditor of State

Village of West Alexandria
Preble County
16 North Main Street
West Alexandria, Ohio 45381

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 13, 2011

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of West Alexandria
Preble County
16 North Main Street
West Alexandria, Ohio 45381

To the Village Council:

We have audited the accompanying financial statements of the Village of West Alexandria, Preble County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

During 2009 and 2010, the Village of West Alexandria recorded its General income tax activity in a Special Revenue Fund. This activity should have been recorded in the General Fund.

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

2009	Amount	2010	Amount
January 1, 2009 Fund Balance	\$265,409	January 1, 2010 Fund Balance	\$229,996
Income Tax Receipts	276,982	Income Tax Receipts	272,202
		Fines, Licenses & Permits	164
		Miscellaneous Receipts	28
General Government Disbursements	312,395	General Government Disbursements	280,813
December 31, 2009 Fund Balance	\$229,996	December 31, 2010 Fund Balance	\$221,577

Also, in our opinion, except for the necessary adjustments to the Special Revenue and General Fund Types referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of West Alexandria, Preble County, as of December 31, 2010 and 2009, 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 October 13, 2011, 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.



Dave Yost
 Auditor of State

October 13, 2011

**VILLAGE OF WEST ALEXANDRIA
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$131,500		\$131,500
Municipal Income Tax		\$272,202	272,202
Intergovernmental	89,262	82,300	171,562
Special Assessments		23,287	23,287
Charges for Services		374,066	374,066
Fines, Licenses and Permits	2,854	324	3,178
Earnings on Investments	13,281	293	13,574
Miscellaneous	18,687	6,276	24,963
Total Cash Receipts	255,584	758,748	1,014,332
Cash Disbursements:			
Current:			
Security of Persons and Property	226,345	350,660	577,005
Public Health Services	3,438		3,438
Leisure Time Activities	698		698
Community Environment	5,713		5,713
Basic Utility Service		5,151	5,151
Transportation		130,375	130,375
General Government	136,487	283,008	419,495
Capital Outlay		3,986	3,986
Total Cash Disbursements	372,681	773,180	1,145,861
Total Receipts (Under) Disbursements	(117,097)	(14,432)	(131,529)
Other Financing Receipts / (Disbursements):			
Sale of Fixed Assets		5,750	5,750
Other Financing Sources	170,000	78,207	248,207
Other Financing Uses	(1,677)		(1,677)
Total Other Financing Receipts / (Disbursements)	168,323	83,957	252,280
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	51,226	69,525	120,751
Fund Cash Balances, January 1	295,303	530,348	825,651
Fund Cash Balances, December 31	\$346,529	\$599,873	\$946,402
Reserve for Encumbrances, December 31	\$11,079	\$32,766	\$43,845

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

**VILLAGE OF WEST ALEXANDRIA
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$760,658		\$760,658
Miscellaneous	347		347
Total Operating Cash Receipts	<u>761,005</u>	<u>0</u>	<u>761,005</u>
Operating Cash Disbursements:			
Personal Services	198,869		198,869
Transportation	2,207		2,207
Contractual Services	207,314		207,314
Supplies and Materials	82,327		82,327
Total Operating Cash Disbursements	<u>490,717</u>	<u>0</u>	<u>490,717</u>
Operating Income	<u>270,288</u>	<u>0</u>	<u>270,288</u>
Non-Operating Cash Receipts:			
Other Financing Sources		\$205,892	205,892
Total Non-Operating Cash Receipts	<u>0</u>	<u>205,892</u>	<u>205,892</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	93,190		93,190
Interest and Other Fiscal Charges	34,720		34,720
Other Financing Uses		200,466	200,466
Total Non-Operating Cash Disbursements	<u>127,910</u>	<u>200,466</u>	<u>328,376</u>
Net Receipts Over Disbursements	142,378	5,426	147,804
Fund Cash Balances, January 1	<u>828,708</u>	<u>13,314</u>	<u>842,022</u>
Fund Cash Balances, December 31	<u>\$971,086</u>	<u>\$18,740</u>	<u>\$989,826</u>
Reserve for Encumbrances, December 31	<u>\$39,194</u>	<u>\$0</u>	<u>\$39,194</u>

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

**VILLAGE OF WEST ALEXANDRIA
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$132,578		\$132,578
Municipal Income Tax		\$276,982	276,982
Intergovernmental	85,905	116,964	202,869
Special Assessments		24,336	24,336
Charges for Services		354,676	354,676
Fines, Licenses and Permits	3,701	210	3,911
Earnings on Investments	11,827	185	12,012
Miscellaneous	13,226	13	13,239
	<u>247,237</u>	<u>773,366</u>	<u>1,020,603</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	219,767	343,435	563,202
Public Health Services	3,438	600	4,038
Leisure Time Activities	941		941
Community Environment	5,634		5,634
Basic Utility Service		3,654	3,654
Transportation		106,094	106,094
General Government	144,250	315,482	459,732
Debt Service:			
Redemption of Principal		41,043	41,043
Interest and Fiscal Charges		2,043	2,043
	<u>374,030</u>	<u>812,351</u>	<u>1,186,381</u>
Total Receipts (Under) Disbursements	<u>(126,793)</u>	<u>(38,985)</u>	<u>(165,778)</u>
Other Financing Receipts / (Disbursements):			
Other Financing Sources	155,000	123,874	278,874
Other Financing Uses	(25,268)		(25,268)
	<u>129,732</u>	<u>123,874</u>	<u>253,606</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	2,939	84,889	87,828
Fund Cash Balances, January 1	292,364	445,459	737,823
Fund Cash Balances, December 31	<u>\$295,303</u>	<u>\$530,348</u>	<u>\$825,651</u>
Reserve for Encumbrances, December 31	<u>\$27,600</u>	<u>\$31,649</u>	<u>\$59,249</u>

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

**VILLAGE OF WEST ALEXANDRIA
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$757,039		\$757,039
Miscellaneous	204		204
Total Operating Cash Receipts	<u>757,243</u>	<u>0</u>	<u>757,243</u>
Operating Cash Disbursements:			
Personal Services	185,848		185,848
Transportation	2,381		2,381
Contractual Services	201,180		201,180
Supplies and Materials	88,106		88,106
Total Operating Cash Disbursements	<u>477,515</u>	<u>0</u>	<u>477,515</u>
Operating Income	<u>279,728</u>	<u>0</u>	<u>279,728</u>
Non-Operating Cash Receipts:			
Other Financing Sources		\$180,494	180,494
Total Non-Operating Cash Receipts	<u>0</u>	<u>180,494</u>	<u>180,494</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	76,565		76,565
Interest and Other Fiscal Charges	36,663		36,663
Other Financing Uses		185,829	185,829
Total Non-Operating Cash Disbursements	<u>113,228</u>	<u>185,829</u>	<u>299,057</u>
Net Receipts Over/(Under) Disbursements	166,500	(5,335)	161,165
Fund Cash Balances, January 1	<u>662,208</u>	<u>18,649</u>	<u>680,857</u>
Fund Cash Balances, December 31	<u>\$828,708</u>	<u>\$13,314</u>	<u>\$842,022</u>
Reserve for Encumbrances, December 31	<u>\$43,449</u>	<u>\$0</u>	<u>\$43,449</u>

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

**VILLAGE OF WEST ALEXANDRIA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of West Alexandria, Preble County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police, fire, and ambulance services. The Village also provides fire and ambulance services contractually to Twin and Lanier Townships in Preble County.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Deposits

The Village values certificates of deposit at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and deposits that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

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

**VILLAGE OF WEST ALEXANDRIA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Fire Operating Fund – This fund receives money from contracts with other entities for services and Village income taxes. Expenditures are for maintaining and operating the Village fire department.

Income Tax Fund – This fund receives local income tax receipts. According to municipal ordinances, receipts are then allocated to the General Fund and other Special Revenue Funds by Council.

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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

4. Fiduciary Fund

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

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

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF WEST ALEXANDRIA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash and Deposits

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

	2010	2009
Demand deposits	\$1,643,695	\$1,375,140
Certificates of deposit	292,333	292,333
Total deposits	1,936,028	1,667,473
Cash on hand	200	200
Total deposits and cash on hand	\$1,936,228	\$1,667,673

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Contrary to Ohio law, the Village did not adequately collateralize their funds during most of 2010. The Village's checking account balance at Eaton National Bank exceeded FDIC coverage plus pledged collateral in amounts ranging from \$1,009 on March 19, 2010 to \$140,604 on December 15, 2010.

Also contrary to Ohio law, the Village did not designate a depository during the audit period nor execute any depository agreements for the Village's EMS billing account at Fifth Third Bank.

**VILLAGE OF WEST ALEXANDRIA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$362,000	\$425,584	\$63,584
Special Revenue	706,400	842,705	136,305
Capital Projects	6,475	0	(6,475)
Enterprise	712,000	761,005	49,005
Total	<u>\$1,786,875</u>	<u>\$2,029,294</u>	<u>\$242,419</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$597,600	\$385,437	\$212,163
Special Revenue	1,145,875	805,946	339,929
Capital Projects	6,475	0	6,475
Enterprise	1,178,449	657,821	520,628
Total	<u>\$2,928,399</u>	<u>\$1,849,204</u>	<u>\$1,079,195</u>

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$350,000	\$402,237	\$52,237
Special Revenue	724,812	897,240	172,428
Capital Projects	6,475	0	(6,475)
Enterprise	715,000	757,243	42,243
Total	<u>\$1,796,287</u>	<u>\$2,056,720</u>	<u>\$260,433</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$604,351	\$426,898	\$177,453
Special Revenue	1,123,899	844,000	279,899
Capital Projects	6,475	0	6,475
Enterprise	1,175,714	634,192	541,522
Total	<u>\$2,910,439</u>	<u>\$1,905,090</u>	<u>\$1,005,349</u>

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**VILLAGE OF WEST ALEXANDRIA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. Property Tax (Continued)

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

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

5. Local Income Tax

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Per Village Ordinance 479 the allocation of income tax funds for the purpose of general operations, maintenance, new equipment, extension and enlargement of municipal services and facilities, and capital improvements, shall be determined by Council. Transfers of income tax monies to other funds are approved via Council resolution.

6. Debt

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #4419	\$1,217,547	2.75%
Ohio Public Works Commission Loan CK24C	20,930	0.00%
Ohio Public Works Commission Loan CK09E	237,738	0.00%
Ohio Public Works Commission Loan CK12G	207,613	0.00%
Total	<u>\$1,683,828</u>	

Ohio Water Development Authority (OWDA) Loan #4419 for \$2,718,795 was obtained in 2005 for water treatment plant improvements. As of December 31, 2010, the Village has drawn \$1,436,262 of the available loan monies. The loan is being repaid in semi-annual installments of \$47,288 over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village was awarded \$33,575 by the Ohio Public Works Commission (OPWC) on July 7, 1999, for the Lanier waterline and booster pump project (CK24C). The loan is being repaid in semi-annual installments of \$839 over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Village was awarded \$271,700 by the Ohio Public Works Commission (OPWC) on July 1, 2001, for the Lanier waterline and booster pump project (CK09E). The loan is being repaid in semi-annual installments of \$6,792 over a period of 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF WEST ALEXANDRIA
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Debt (Continued)

The Village was awarded \$244,250 by the Ohio Public Works Commission (OPWC) on July 1, 2003, for water treatment plant improvements (CK12G). The loan is being repaid in semi-annual installments of \$6,106 over a period of 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

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

Year ending December 31:	OWDA Loan			OPWC
	#4419	OPWC CK24C	OPWC CK09E	CK12G
2011	\$94,575	\$1,679	\$13,585	\$12,212
2012	94,575	1,679	13,585	12,212
2013	94,575	1,679	13,585	12,212
2014	94,575	1,679	13,585	12,212
2015	94,575	1,679	13,585	12,212
2016-2020	472,877	8,394	67,925	61,063
2021-2025	472,877	4,141	67,925	61,063
2026-2028	141,863		33,963	24,427
Total	<u>\$1,560,492</u>	<u>\$20,930</u>	<u>\$237,738</u>	<u>\$207,613</u>

7. Retirement Systems

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



Dave Yost • Auditor of State

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

Village of West Alexandria
Preble County
16 North Main Street
West Alexandria, Ohio 45381

To the Village Council:

We have audited the financial statements of the Village of West Alexandria, Preble County, Ohio (the County), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated October 13, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also qualified our opinion due to the Village recording the income tax activity in the General Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-03 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-04 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01 through 2010-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 13, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 13, 2011

VILLAGE OF WEST ALEXANDRIA
PREBLE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-01

Noncompliance Citation

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

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

Official's Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2010-02

Noncompliance Citation

Ohio Revised Code, Section 135.18, provides that the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities. The Village's depository did not adequately collateralize Village funds during most of 2010. The Village's checking account balance at Eaton National Bank exceeded FDIC coverage plus pledged collateral in amounts ranging from \$1,009 on March 19, 2010 to \$140,604 on December 15, 2010. Failure to secure adequate collateral could result in a loss of assets by the Village. We recommend the Village obtain adequate collateral to cover its deposits.

Official's Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2010-03

Finding for Adjustment/Material Weakness

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

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

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

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

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

2009	Amount	2010	Amount
January 1, 2009 Fund Balance	\$265,409	January 1, 2010 Fund Balance	\$229,996
Income Tax Receipts	276,982	Income Tax Receipts	272,202
		Fines, Licenses & Permits	164
		Miscellaneous Receipts	28
General Government Disbursements	312,395	General Government Disbursements	280,813
December 31, 2009 Fund Balance	\$229,996	December 31, 2010 Fund Balance	\$221,577

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

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the Special Revenue Fund and in favor of the General Fund in the amounts of \$229,996 and \$221,577 for 2009 and 2010, respectively.

Official's Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2010-04

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village did not accurately post receipts and expenditures during the audit period.

- The Village did not accurately post debt service-principal and debt service-interest expenditures. For the Special Revenue Fund the amount of the adjustment was \$41,043 in 2009. For the Enterprise Fund the amount of the adjustment was \$33,833 in 2009 and \$28,862 in 2010.
- The Village did not accurately post ambulance billing activity. The activity in the Ambulance Billing Fund (Agency Fund) should be posted as Other Financing Sources and Other Financing Uses rather than Charges for Services and Contractual Services. The Village posted the following ambulance billing receipts and disbursements for 2009 and 2010, respectively: receipts of \$180,494 and \$205,892 and disbursements of \$185,830 and \$200,466.

Adjustments were posted to the accompanying financial statements. Failure to accurately post debt service payments and ambulance billing activity can result in inaccurate records and cause the Village to misappropriate funds. We recommend that the Village accurately post all debt service payments and ambulance billing activity. Comparisons between years may aid in the determination if a debt service payment has been properly posted. We recommend that the Village properly record debt principal and interest payments.

Official's Response:

Officials did not provide a response to this finding.

This page intentionally left blank.

**VILLAGE OF WEST ALEXANDRIA
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC § 135.12(B), failure to designate a depository for EMS billing account	No	Not Corrected – Re-Issued as Finding 2010-01
2008-002	Failure to properly post revenues and expenditures	No	Not Corrected – Re-Issued as Finding 2010-04
2008-003	ORC § 5705.39, appropriations exceeding estimated resources	Yes	
2008-004	ORC § 5705.36(A)(4), appropriations exceeding available resources and failure to properly post estimated receipts to the system	No	Partially Corrected – Re-Issued as a Management Letter Citation
2008-005	ORC § 5705.41(B), expenditures exceeding appropriations	Yes	
2008-006	Finding for Adjustment to move the income tax activity from the Special Revenue Income Tax Fund to the General Fund	No	Not Corrected – Re-Issued as Finding 2010-03

This Page is Intentionally Left Blank.



Dave Yost • Auditor of State

VILLAGE OF WEST ALEXANDRIA

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 10, 2011