

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

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2013 & 2012***







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of West Manchester, Preble County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. 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 West Manchester is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

July 10, 2014

**This page intentionally left blank.**

**VILLAGE OF WEST MANCHESTER**  
**PREBLE COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2013 and 2012**

**TABLE OF CONTENTS**

<b><u>Title</u></b>	<b><u>Page</u></b>
<b>Independent Auditor's Report</b>	<b>1-2</b>
<b>Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances – All Governmental Funds, For the Year Ended December 31, 2013</b>	<b>3</b>
<b>Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances – Proprietary Funds, For the Year Ended December 31, 2013</b>	<b>4</b>
<b>Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2012</b>	<b>5</b>
<b>Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances – Proprietary Funds, For the Year Ended December 31, 2012</b>	<b>6</b>
<b>Notes to the Financial Statements</b>	<b>7-16</b>
<b>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i></b>	<b>17-18</b>
<b>Schedule of Audit Findings</b>	<b>19-20</b>
<b>Schedule of Prior Audit Findings</b>	<b>21</b>

**This page intentionally left blank.**

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

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

---

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of West Manchester, Preble County, (the Village) as of and for the years ended December 31, 2013 and 2012.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village has prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of West Manchester, Preble County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***

June 7, 2014



VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>Governmental Fund Types</b>			<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 30,140	\$ 7,699	\$ -	\$ 37,839
Charges for Services	-	50,800	-	50,800
Fines and Forfeitures	2,061	-	-	2,061
Intergovernmental	88	18,834	11,563	30,485
Earnings on Investments	1,102	-	-	1,102
Miscellaneous	4,770	3,687	-	8,457
Total Receipts	<u>38,161</u>	<u>81,020</u>	<u>11,563</u>	<u>130,744</u>
<b>Disbursements</b>				
Current:				
General Government	25,008	-	-	25,008
Security of Persons and Property	6,248	43,784	-	50,032
Transportation	3,749	19,764	-	23,513
Capital Outlay		936	236,215	237,151
Debt Service				
Principal Retirement	-	-	8,416	8,416
Interest and Fiscal Charges	-	-	3,584	3,584
Total Disbursements	<u>35,005</u>	<u>64,484</u>	<u>248,215</u>	<u>347,704</u>
Receipts Over (Under) Disbursements	3,156	16,536	(236,652)	(216,960)
Other Financing Sources (Uses)				
Sale of Note	-	-	186,000	186,000
Transfers In	-	-	3,000	3,000
Transfers Out	(1,024)	(3,000)	-	(4,024)
Total Other Financing Sources (Uses)	<u>(1,024)</u>	<u>(3,000)</u>	<u>189,000</u>	<u>184,976</u>
Net Change in Fund Balances	2,132	13,536	(47,652)	(31,984)
Fund Balances January 1, 2013	<u>66,866</u>	<u>70,182</u>	<u>61,252</u>	<u>198,300</u>
Fund Balances				
Restricted	-	83,718	13,600	97,318
Unassigned	<u>68,998</u>	<u>-</u>	<u>-</u>	<u>68,998</u>
Fund Balances December 31, 2013	<u><u>\$ 68,998</u></u>	<u><u>\$ 83,718</u></u>	<u><u>\$ 13,600</u></u>	<u><u>\$ 166,316</u></u>

See accompanying notes to the financial statements

VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>Proprietary Fund Type Enterprise</b>
Operating Receipts	
Charges for Services	\$ 254,467
Miscellaneous	12,019
	266,486
Total Operating Receipts	
Operating Disbursements	
Personal Services	54,811
Travel Transportation	1,599
Contractual Services	69,210
Supplies and Materials	5,341
Other	25,727
	156,688
Total Operating Disbursements	
Operating Income (Loss)	109,798
Non-Operating Receipts (Disbursements)	
Principal Redemption	(32,871)
Interest and Fiscal Charges	(54,858)
	(87,729)
Total Non-Operating Receipts (Disbursements)	
Income (Loss) before Transfers	22,069
Transfers-In	85,794
Transfers Out	(84,770)
	23,093
Net Change in Fund Balances	
Fund Balances January 1, 2013	195,606
Fund Balances December 31, 2013	\$ 218,699

See accompanying notes to the financial statements

VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>Governmental Fund Types</b>			<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 36,649	\$ 6,120	\$ -	\$ 42,769
Charges for Services	34,939	44,865	-	79,804
Intergovernmental	126	18,168	13,919	32,213
Earnings on Investments	801	-	-	801
Miscellaneous	1,070	3,096	1,200	5,366
Total Receipts	<u>73,585</u>	<u>72,249</u>	<u>15,119</u>	<u>160,953</u>
<b>Disbursements</b>				
Current:				
General Government	59,419	-	-	59,419
Security of Persons and Property	6,248	36,070	660	42,978
Leisure time Activities	1,142	-	-	1,142
Basic Utility Services	31,699	-	-	31,699
Transportation	8,491	13,681	-	22,172
Total Disbursements	<u>106,999</u>	<u>49,751</u>	<u>660</u>	<u>157,410</u>
Receipts Over (Under) Disbursements	(33,414)	22,498	14,459	3,543
Other Financing Sources (Uses)				
Transfers In	-	1,665	374	2,039
Transfers Out	<u>(3,535)</u>	<u>-</u>	<u>-</u>	<u>(3,535)</u>
Total Other Financing Sources (Uses)	<u>(3,535)</u>	<u>1,665</u>	<u>374</u>	<u>(1,496)</u>
Net Change in Fund Balances	(36,949)	24,163	14,833	2,047
Fund Balances January 1, 2012	<u>103,815</u>	<u>46,019</u>	<u>46,419</u>	<u>196,253</u>
Fund Balances				
Restricted	-	70,182	61,252	131,434
Assigned	2,129	-	-	2,129
Unassigned	<u>64,737</u>	<u>-</u>	<u>-</u>	<u>64,737</u>
Fund Balances December 31, 2012	<u>\$ 66,866</u>	<u>\$ 70,182</u>	<u>\$ 61,252</u>	<u>\$ 198,300</u>

See accompanying notes to the financial statements

VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
Operating Receipts	
Charges for Services	\$ 222,705
Miscellaneous	2,881
	225,586
Total Operating Receipts	
Operating Disbursements	
Personal Services	45,076
Travel Transportation	1,497
Contractual Services	37,330
Supplies and Materials	4,957
Other	802
	89,662
Total Operating Disbursements	
Operating Income (Loss)	135,924
Non-Operating Receipts (Disbursements)	
Principal Redemption	(32,107)
Interest and Fiscal Charges	(55,632)
	(87,739)
Total Non-Operating Receipts (Disbursements)	
Income (Loss) before Transfers	48,185
Transfers-In	86,266
Transfers Out	(84,770)
	49,681
Receipts Over (Under) Disbursements	
Fund Balances January 1, 2012	145,925
Fund Balances December 31, 2012	\$ 195,606

See accompanying notes to the financial statements

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

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

The Village values certificates of deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**D. Fund Accounting (continued)**

**2. Special Revenue Funds**

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

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

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

**3. Capital Project Funds**

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

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

**4. Enterprise Funds**

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

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

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

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

**Refuse Fund** – This fund receives charges for services from residents to cover the cost of garbage pickup services.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2013 and 2012 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.

**H. Fund Balances**

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

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**H. Fund Balances (continued)**

**Nonspendable**

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

**Restricted**

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

**Committed**

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

**Assigned**

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

**Unassigned**

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



**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**H. Fund Balances (continued)**

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

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

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

	2013	2012
Demand Deposits	\$ 385,015	\$ 279,906
Certificate of Deposit	-	114,000
Total deposits	<u>\$ 385,015</u>	<u>\$ 393,906</u>

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budget vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 56,250	\$ 38,161	\$ (18,089)
Special Revenue	75,200	81,020	5,820
Capital Projects	12,000	200,563	188,563
Enterprise	305,870	352,280	46,410
Total	<u>\$ 449,320</u>	<u>\$ 672,024</u>	<u>\$ 222,704</u>

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 74,900	\$ 36,029	\$ 38,871
Special Revenue	56,900	67,484	(10,584)
Capital Projects	1,000	248,215	(247,215)
Enterprise	184,100	329,187	(145,087)
Total	\$ 316,900	\$ 680,915	\$ (364,015)

2012 Budget vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 111,000	\$ 73,585	\$ (37,415)
Special Revenue	114,500	73,914	(40,586)
Capital Projects	10,000	15,493	5,493
Enterprise	297,970	311,852	13,882
Total	\$ 533,470	\$ 474,844	\$ (58,626)

2012 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 104,675	\$ 112,663	\$ (7,988)
Special Revenue	105,150	50,437	54,713
Capital Projects	1,000	660	340
Enterprise	184,950	263,472	(78,522)
Total	\$ 395,775	\$ 427,232	\$ (31,457)

**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.

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

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$117,652	0.00%
Sewer System Mortgage Revenue Bonds	208,790	4.25%
Issuers Sewer System	1,032,160	4.25%
Ohio Water Development Authority	33,706	3.92%
Eaton National Bank	177,584	3.75%
Total	<u><u>\$1,569,892</u></u>	

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

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

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

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

The Eaton National Bank Loan relates to the purchase of a fire truck. The loan is to be repaid in monthly installments, including interest at 3.75%, starting in 2013 for period of 10 years ending in 2023.

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

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**5. Debt (continued)**

	Sewer System					
	Mortgage Revenue		Issuers Sewer System		Fire Truck	
	Bonds		Bonds		Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
Year						
2014	\$ 3,180	\$ 8,874	\$ 15,730	\$ 43,867	\$ 15,897	\$ 6,507
2015	3,320	8,738	16,410	43,198	16,512	5,892
2016	3,460	8,621	17,090	42,501	17,135	5,268
2017	3,600	8,450	17,830	41,775	17,813	4,590
2018	3,760	8,297	18,580	41,017	18,503	3,901
2019-2023	21,330	38,970	105,460	192,542	91,724	8,293
2024-2028	26,270	34,052	129,850	168,147	-	-
2029-2033	32,350	27,952	159,890	141,106	-	-
2034-2038	39,820	20,466	196,880	101,117	-	-
2039-2043	49,040	11,218	242,430	55,568	-	-
2044-2047	22,660	1,457	112,010	7,190	-	-
Total	<u>\$ 208,790</u>	<u>\$ 177,095</u>	<u>\$ 1,032,160</u>	<u>\$ 878,028</u>	<u>\$ 177,584</u>	<u>\$ 34,451</u>

	OPWC Loan	OWDA Loan	
Year	Principal	Principal	Interest
2014	\$ 13,842	\$ 907	\$ 1,329
2015	13,842	943	1,293
2016	13,842	980	1,256
2017	13,842	1,018	1,217
2018	13,842	1,059	1,177
2019-2023	48,442	5,958	5,220
2024-2028	-	7,234	3,946
2029-2033	-	8,786	2,393
2034-2038	-	6,821	579
	-		
Total	<u>\$ 117,652</u>	<u>\$ 33,706</u>	<u>\$ 18,410</u>

**6. Retirement Systems**

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

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. Retirement Systems - (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012 OPERS, members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of covered payroll. The Village has paid all contributions required through December 31, 2013.

**7. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

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

**8. Interfund Transfers**

Interfund transfers for the years ended December 31, 2013 and 2012, consisted of the following:

	<u>2013</u>		<u>2012</u>	
	Transfers Out	Transfers In	Transfers Out	Transfers In
General Fund	\$ 1,024	\$ -	\$ 3,535	\$ -
Special Revenue Funds:			-	
Street Fund	-	-	-	187
Police Fund	-	-	-	916
Highway	-	-	-	187
Fire Fund	3,000	-	-	375
Total Special Revenue Funds	3,000	-	-	1,665
Capital Project fund				
Truck Reserve Fund	-	3,000	-	374
Total Capital Projects Funds	-	3,000	-	374
Enterprise Funds:				
Sewer Fund	84,770	-	84,770	375
Sinking Fund	-	77,559	-	77,930
Utility	-	25	-	187
Water	-	-	-	375
Refuse Fund	-	998	-	-
Reserve Fund	-	7,212	-	7,399
Total Enterprise Funds	84,770	85,794	84,770	86,266
Totals	\$ 88,794	\$ 88,794	\$ 88,305	\$ 88,305

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. Interfund Transfers (continued)**

All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**9. Budgetary Noncompliance**

The Village had the following citation for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41(B)**, the Village had expenditures that exceeded appropriations in several funds.

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

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

---

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of West Manchester, Preble County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 7, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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 2013-002 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2013-001.

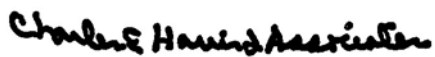
We also noted certain matters that we have reported to management of the Village in a separate letter dated June 7, 2014.

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
June 7, 2014



**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 and 2012**

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

**FINDING NUMBER 2013-001  
Noncompliance Citation**

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

We noted the following funds had disbursements plus encumbrances that exceeded appropriations at December 31, 2013 and 2012:

Fund – 2013	Approved Appropriations	Budgetary Disbursements	Variance
Capital Project Fund:			
Truck Reserve Fund	\$ 1,000	\$ 248,215	\$(247,215)
Enterprise Fund:			
Sewer Sys Mort Rev Fund	46,500	140,832	(94,332)

Fund – 2012	Approved Appropriations	Budgetary Disbursements	Variance
General Fund	\$ 104,675	\$ 112,663	\$ (7,988)
Special Revenue Fund:			
FEMA Fund	-	1,950	(1,950)
Enterprise Fund:			
Sewer Sys Mort Rev Fund	42,150	127,280	(85,130)

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

**Officials' Response:**

We received no response to the finding above.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2013 and 2012**

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

**FINDING NUMBER 2013-002  
Material Weakness**

**Recording of Financial Activity**

To assist in the effective management and reporting of financial resources, an entity should have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements. The Village's 2013 accounting records and financial statements had expenditure classification errors of \$16,078 in the Enterprise Water fund. In 2012, the Village's accounting records and financial statements had expenditure classification errors of \$16,077 in the Enterprise Water fund. The classification errors consisted of the improper recording of debt service payments. The financial statements have been reclassified to correct the above errors and the Village has agreed with the reclassifications.

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

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

**Officials' Response:**

We received no response to the finding above.

**VILLAGE OF WEST MANCHESTER  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-001	Ohio Rev. Code Section 5705.41 (B) – Village had Disbursements and encumbrances in excess of appropriations.	No	Reissued as finding 2013-001
2011-002	Misstatements and omissions in financial statements	No	Reissued as finding 2013-002

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**VILLAGE OF WEST MANCHESTER**

**PREBLE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 22, 2014**