



VILLAGE OF WEST MANCHESTER
PREBLE COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of West Manchester, Preble County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 such 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 opinion s.

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

As described in Note 2 of the financial statements, the Village 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2017 and 2016, and the respective changes in financial position or cash flows thereof 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of West Manchester, Preble County as of December 31, 2017 and 2016, 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(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2019, 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.



Keith Faber

Auditor of State
Columbus, Ohio

February 14, 2019

Village of West Manchester, Ohio
Preble County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Fiscal Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$12,722	\$8,473		\$21,195
Intergovernmental	24,794	19,874		44,668
Special Assessments		6,723		6,723
Charges for Services	850	45,500	\$20,865	67,215
Fines, Licenses and Permits	1,958			1,958
Earnings on Investments	464			464
Miscellaneous	1,030	3,067		4,097
<i>Total Cash Receipts</i>	<u>41,818</u>	<u>83,637</u>	<u>20,865</u>	<u>146,320</u>
Cash Disbursements				
Current:				
Security of Persons and Property		65,248		65,248
Basic Utility Services		90		90
Transportation	123	1,708		1,831
General Government	31,348			31,348
Debt Service:				
Principal Retirement			19,686	19,686
Interest and Fiscal Charges			4,314	4,314
<i>Total Cash Disbursements</i>	<u>31,471</u>	<u>67,046</u>	<u>24,000</u>	<u>122,517</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>10,347</u>	<u>16,591</u>	<u>(3,135)</u>	<u>23,803</u>
Other Financing Receipts (Disbursements)				
Transfers In		3,436	16,295	19,731
Transfers Out	(3,302)	(16,647)		(19,949)
Advances In	9,600			9,600
Advances Out		(6,000)		(6,000)
Other Financing Sources	71	172		243
<i>Total Other Financing Receipts (Disbursements)</i>	<u>6,369</u>	<u>(19,039)</u>	<u>16,295</u>	<u>3,625</u>
<i>Net Change in Fund Cash Balances</i>	16,716	(2,448)	13,160	27,428
<i>Fund Cash Balances, January 1</i>	<u>(8,043)</u>	<u>43,734</u>	<u>2,222</u>	<u>37,913</u>
Fund Cash Balances, December 31				
Restricted	0	41,286	15,382	56,668
Unassigned (Deficit)	8,673	0	0	8,673
<i>Fund Cash Balances, December 31</i>	<u>\$8,673</u>	<u>\$41,286</u>	<u>\$15,382</u>	<u>\$65,341</u>

See accompanying notes to the basic financial statements.

Village of West Manchester, Ohio
Preble County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Fiscal Year Ended December 31, 2017

	Enterprise
Operating Cash Receipts	
Charges for Services	\$252,880
Fines, Licenses and Permits	7,386
Miscellaneous	113
	260,379
<i>Total Operating Cash Receipts</i>	<i>260,379</i>
Operating Cash Disbursements	
Personal Services	60,139
Employee Fringe Benefits	1,971
Contractual Services	86,221
Supplies and Materials	10,953
Claims	2,604
Other	1,016
	162,904
<i>Total Operating Cash Disbursements</i>	<i>162,904</i>
<i>Operating Income (Loss)</i>	<i>97,475</i>
Non-Operating (Disbursements)	
Principal Retirement	(36,310)
Interest and Other Fiscal Charges	(51,422)
	(87,732)
<i>Total Non-Operating (Disbursements)</i>	<i>(87,732)</i>
<i>Income (Loss) before Transfers and Advances</i>	<i>9,743</i>
Transfers In	86,176
Transfers Out	(85,958)
Advances Out	(3,600)
	6,361
<i>Net Change in Fund Cash Balances</i>	<i>6,361</i>
<i>Fund Cash Balances, January 1</i>	<i>236,494</i>
<i>Fund Cash Balances, December 31</i>	<i>\$242,855</i>

See accompanying notes to the basic financial statements.

Village of West Manchester, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Highway - The highway fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repairs of the state highway that runs through the Village.

Fire - The fire fund accounts for and reports money from contracts with local villages and township fire districts restricted for providing protection to citizens within the Village.

Police - The police fund accounts for and reports transfers from the general fund restricted for providing protection to citizens within the Village.

Village of West Manchester, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Street Light - The street light fund accounts for and reports bi-annual assessment payments from the Preble County Auditor's Office restricted for providing street light services within the Village.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Fire Truck Reserve - The fire truck reserve fund accounts for and reports fire contract monies set aside for the purchase of a fire truck.

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 - The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Refuse - The refuse fund accounts for the provision of refuse collection services to the residents and commercial users within the Village.

Sewer Reserve - The sewer reserve fund accounts for one year of sewer loan payments as required by USDA.

Water Reserve - The water reserve fund accounts for monies set aside for future water plant repairs.

Short Lived Asset - The short lived asset fund accounts for monies set aside for future sewer plant repairs.

Sewer Sinking - The sewer sinking fund accounts for monthly transfers from the sewer fund to make USDA debt payments.

Utility Deposit - The utility deposit fund accounts for fees from residents and commercial users when opening a utility account within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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).

Village of West Manchester, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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 re-appropriated.

A summary of 2017 budgetary activity appears in Note 4.

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.

Capital Assets

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

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.

Fund Balance

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

Village of West Manchester, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Non-spendable - The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted - Fund balance is *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 - Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street and Sewer funds \$8,306, and \$4,179, respectively for the year ended December 31, 2017.

Contrary to Ohio law, at August 31, 2017, the General, FEMA, and Water funds had cash deficit balances of \$31,051, \$1,925, and \$16,969, respectively. Also, at December 31, 2017, the FEMA fund had a cash deficit balance of \$1,925.

Contrary to Ohio law, the Village did not post appropriations to the accounting system during 2017.

Village of West Manchester, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,000	\$51,489	\$17,489
Special Revenue	85,900	87,245	1,345
Capital Projects	11,100	37,160	26,060
Enterprise	283,000	346,555	63,555
Total	\$414,000	\$522,449	\$108,449

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,600	\$34,773	\$4,827
Special Revenue	82,800	89,693	(6,893)
Capital Projects	24,000	24,000	0
Enterprise	338,358	340,194	(1,836)
Total	\$484,758	\$488,660	(\$3,902)

Note 5 – 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:

	2017
Demand deposits	\$83,980
Other time deposits (savings and NOW accounts)	224,216
Total deposits	\$308,196

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of West Manchester, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 6 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 7 – Interfund Balances

Advances

Outstanding advances at December 31, 2017, consisted of \$43,590 and \$16,894 advanced to the Street and Water funds, respectively, from the General fund to provide working capital for operations or projects.

Note 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.

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The 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. 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, 2017.

Village of West Manchester, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 9 - Defined Benefit Pension Plans (Continued)

Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 10 – Post-employment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit post-employment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2017.

Note 11 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$62,286	0.00%
Sewer System Mortgage Revenue Bonds	195,230	4.25%
Issuers Sewer System Bonds	965,100	4.25%
Ohio Water Development Authority Loan	29,782	3.92%
Fire Truck Loan	103,840	3.75%
Total	<u>\$1,356,238</u>	

The Ohio Public Works Commission loan relates to the water treatment plan improvements. The interest-free loan is to be repaid in semiannual installments of \$6,921, which started in 2003 for a period of 20 years 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 systems 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, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 11 – 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 of 3.92%, for a period of 30 years ending in 2037.

The Fire Truck Loan at LCNB National Bank 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 a period of 10 years ending in 2023.

Amortization

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

Year Ending December 31:	OPWC	Sewer System Mortgage Revenue Bonds	Issuers Sewer System Bonds	OWDA	Fire Truck Loan
2018	\$13,842	\$12,057	\$59,597	\$2,236	\$15,218
2019	13,842	12,057	59,607	2,236	22,403
2020	13,842	12,083	59,593	2,236	22,403
2021	13,842	12,057	59,605	2,236	22,403
2022	6,918	12,056	59,590	2,236	22,403
2023-2027		60,295	298,002	11,179	11,201
2028-2032		60,318	298,005	11,179	
2033-2037		60,289	297,993	8,943	
2038-2042		60,288	298,002		
2043-2047		36,172	178,796		
Total	<u>\$62,286</u>	<u>\$337,672</u>	<u>\$1,668,790</u>	<u>\$42,481</u>	<u>\$116,031</u>

Note 12 – Related Party Transactions

During 2017, the Village paid Board of Public Affairs member Doug Evans \$180 in gross payroll checks. The checks were signed by Fiscal Officer Leslie Evans. Doug Evans is the spouse of the Fiscal Officer.

Note 13 – Subsequent Event

The Village approved a \$100,000 loan with the Ohio Public Works Commission (OPWC) on October 15, 2018 for a grant project to cover improvements to water lines on Main Street as well as electronic water meters for every water tap within the Village.

Village of West Manchester, Ohio
Preble County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Fiscal Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$12,555	\$8,673		\$21,228
Intergovernmental	24,600	19,406		44,006
Special Assessments		6,560		6,560
Charges for Services		47,300	\$6,160	53,460
Fines, Licenses and Permits	2,020			2,020
Earnings on Investments	293			293
Miscellaneous	2,350	9,681		12,031
<i>Total Cash Receipts</i>	<u>41,818</u>	<u>91,620</u>	<u>6,160</u>	<u>139,598</u>
Cash Disbursements				
Current:				
Security of Persons and Property		77,890		77,890
Transportation	212	1,632		1,844
General Government	36,699			36,699
Capital Outlay		794		794
Debt Service:				
Principal Retirement			18,939	18,939
Interest and Fiscal Charges			5,061	5,061
<i>Total Cash Disbursements</i>	<u>36,911</u>	<u>80,316</u>	<u>24,000</u>	<u>141,227</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,907</u>	<u>11,304</u>	<u>(17,840)</u>	<u>(1,629)</u>
Other Financing Receipts (Disbursements)				
Transfers In		82	13,029	13,111
Transfers Out	(264)	(13,000)		(13,264)
Advances In	9,600			9,600
Advances Out		(6,000)		(6,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>9,336</u>	<u>(18,918)</u>	<u>13,029</u>	<u>3,447</u>
<i>Net Change in Fund Cash Balances</i>	14,243	(7,614)	(4,811)	1,818
<i>Fund Cash Balances, January 1</i>	<u>(22,286)</u>	<u>51,348</u>	<u>7,033</u>	<u>36,095</u>
Fund Cash Balances, December 31				
Restricted	0	45,659	2,222	47,881
Unassigned (Deficit)	<u>(8,043)</u>	<u>(1,925)</u>	<u>0</u>	<u>(9,968)</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$8,043)</u>	<u>\$43,734</u>	<u>\$2,222</u>	<u>\$37,913</u>

See accompanying notes to the basic financial statements.

Village of West Manchester, Ohio
Preble County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Fiscal Year Ended December 31, 2016

	Enterprise
Operating Cash Receipts	
Charges for Services	\$255,786
Miscellaneous	349
	256,135
Operating Cash Disbursements	
Personal Services	63,880
Contractual Services	92,117
Supplies and Materials	10,624
Other	1,715
	168,336
<i>Total Operating Cash Receipts</i>	<i>256,135</i>
<i>Total Operating Cash Disbursements</i>	<i>168,336</i>
<i>Operating Income (Loss)</i>	<i>87,799</i>
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	7,495
Capital Outlay	(14,142)
Principal Retirement	(35,391)
Interest and Other Fiscal Charges	(52,335)
	(94,373)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(94,373)</i>
<i>Income (Loss) before Transfers and Advances</i>	<i>(6,574)</i>
Transfers In	82,580
Transfers Out	(82,428)
Advances Out	(3,600)
	(10,022)
<i>Net Change in Fund Cash Balances</i>	<i>(10,022)</i>
<i>Fund Cash Balances, January 1</i>	<i>246,516</i>
<i>Fund Cash Balances, December 31</i>	<i>\$236,494</i>

See accompanying notes to the basic financial statements.

Village of West Manchester, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Highway - The highway fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repairs of the state highway that runs through the Village.

Village of West Manchester, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fire - The fire fund accounts for and reports money from contracts with local villages and township fire districts restricted for providing protection to citizens within the Village.

Police - The police fund accounts for and reports transfers from the general fund restricted for providing protection to citizens within the Village.

Street Light - The street light fund accounts for and reports bi-annual assessment payments from the Preble County Auditor's Office restricted for providing street light services within the Village.

Capital Project Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Fire Truck Reserve - The fire truck reserve fund accounts for and reports fire contract monies set aside for the purchase of a fire truck.

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 - The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Refuse - The refuse fund accounts for the provision of refuse collection services to the residents and commercial users within the Village.

Sewer Reserve - The sewer reserve fund accounts for one year of sewer loan payments as required by USDA.

Water Reserve - The water reserve fund accounts for monies set aside for future water plant repairs.

Short Lived Asset - The short lived asset fund accounts for monies set aside for future sewer plant repairs.

Village of West Manchester, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Sewer Sinking - The sewer sinking fund accounts for monthly transfers from the sewer fund to make USDA debt payments.

Utility Deposit - The utility deposit fund accounts for fees from residents and commercial users when opening a utility account within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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 re-appropriated.

A summary of 2016 budgetary activity appears in Note 4.

Village of West Manchester, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Capital Assets

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

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.

Fund Balance

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

Non-spendable - The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

Restricted - Fund balance is *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 - Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Village of West Manchester, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire, Water, and Sewer funds by \$19,222, \$5,958, and \$81,636, respectively for the year ended December 31, 2016.

Contrary to Ohio law, at December 31, 2016, the General and FEMA funds had cash deficit balances of \$8,043 and \$1,925, respectively.

Contrary to Ohio law, the Village did not post appropriations to the accounting system during 2016.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,325	\$51,418	\$10,093
Special Revenue	93,300	91,702	(1,598)
Capital Projects	6,200	19,189	12,989
Enterprise	345,593	346,210	617
Total	\$486,418	\$508,519	\$22,101

Village of West Manchester, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 4 - Budgetary Activity (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$38,950	\$37,175	\$1,775
Special Revenue	81,778	99,316	(17,538)
Capital Projects	24,000	24,000	0
Enterprise	270,670	356,232	(85,562)
Total	\$415,398	\$516,723	(\$101,325)

Note 5 – 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:

Demand deposits	2016 \$55,325
Other time deposits (savings and NOW accounts)	219,082
Total deposits	\$274,407

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Note 6 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Village of West Manchester, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 6 – Taxes (Continued)

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.

Note 7 – Interfund Balances

Advances

Outstanding advances at December 31, 2016, consisted of \$49,590 and \$20,494 advanced to the Street and Water funds, respectively, from the General fund to provide working capital for operations or projects.

Note 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.

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The 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. 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, 2016.

Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Village of West Manchester, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 9 - Defined Benefit Pension Plans (Continued)

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 10 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2 percent during calendar year 2016. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2016.

Note 11 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$76,128	0.00%
Sewer System Mortgage Revenue Bonds	198,830	4.25%
Issuers Sewer System Bonds	982,930	4.25%
Ohio Water Development Authority Loan	30,821	3.92%
Fire Truck Loan	123,250	3.75%
Total	<u>\$1,411,959</u>	

The Ohio Public Works Commission loan relates to the water treatment plan improvements. The interest-free loan is to be repaid in semiannual installments of \$6,921, which started in 2003 for a period of 20 years 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 systems 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, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 11 – 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 of 3.92%, for a period of 30 years ending in 2037.

The Fire Truck Loan at LCNB National Bank 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 a period of 10 years ending in 2023.

Amortization

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

Year Ending December 31:	OPWC	Sewer System Mortgage Revenue Bonds	Issuers Sewer System Bonds	OWDA	Fire Truck Loan
2017	\$13,842	\$12,050	\$59,605	\$2,236	\$24,000
2018	13,842	12,057	59,597	2,236	15,218
2019	13,842	12,057	59,607	2,236	22,403
2020	13,842	12,083	59,593	2,236	22,403
2021	13,842	12,057	59,605	2,236	22,403
2022-2026	6,918	60,292	297,989	11,179	33,605
2027-2031		60,298	298,009	11,179	
2032-2036		60,311	297,992	11,179	
2037-2041		60,285	298,002		
2042-2046		48,231	238,397		
Total	<u>\$76,128</u>	<u>\$349,721</u>	<u>\$1,728,396</u>	<u>\$44,717</u>	<u>\$140,032</u>

Note 12 – Related Party Transactions

During 2016, the Village paid Board of Public Affairs member Doug Evans \$165 in gross payroll checks. The checks were signed by Fiscal Officer Leslie Evans. Doug Evans is the spouse of the Fiscal Officer.

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OHIO AUDITOR OF STATE KEITH FABER



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
PO Box 168
West Manchester, Ohio 45382

To the Mayor and 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 cash balances, receipts, and disbursements by fund type of the Village of West Manchester, Preble County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated February 14, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

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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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-003, 2017-004, and 2017-005.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

February 14, 2019

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

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's financial statements contained errors which were material and resulted in adjustments to the financial statements and accounting system as follows:

- Special Revenue Fund property tax receipts were overstated by \$6,560 in 2016 and \$6,723 in 2017 due to the misclassification of street light assessments in the Street Light Fund. As a result, Special Revenue Fund special assessment receipts were understated by these same amounts.
- In 2016, General Fund property tax receipts were overstated by \$20,179 due to the misclassification of intergovernmental receipts. In addition, General Fund general government expenditures were also understated by \$2,071 due to recording property taxes at the net distribution amount instead of the gross distribution amount. As a result, General Fund intergovernmental receipts were understated by \$22,250.
- In 2017, Special Revenue Fund property tax receipts were overstated by \$19,918 due to the misclassification of intergovernmental receipt sources, including a \$44 overstatement of fund cash balance resulting from the improper recording of auto registration fees from Preble County. As a result, Special Revenue Fund intergovernmental receipts were understated by \$19,874.
- In 2016, Special Revenue Fund intergovernmental receipts were overstated by \$8,673 due to the misclassification of permissive motor vehicle license taxes received from Village levies in the Street Fund. As a result, Special Revenue Fund property tax receipts were understated by this same amount.
- In 2017, Special Revenue Fund capital outlay expenditures were overstated by \$24,000 due to the double posting of fire truck loan debt service payments.
- The Village did not accurately apply Governmental Accounting Standards Board (GASB) Statement Number 54 when classifying December 31, 2016 fund balances. The General Fund balance was incorrectly reported as Restricted rather than Unassigned. The unadjusted fund balance was \$96,496. Of that amount, \$5,600 should have been reported as Assigned fund balance for subsequent year's appropriations exceeding estimated resources. However, after audit adjustments the General Fund had a deficit balance of \$8,043. If a deficit balance exists, there should be no other amounts reported in any other fund balance classifications.

FINDING NUMBER 2017-001
(Continued)

- The Village did not accurately apply Governmental Accounting Standards Board (GASB) Statement Number 54 when classifying December 31, 2017 fund balances. The Special Revenue fund balance of \$41,286 and Capital Projects fund balance of \$15,382 were both incorrectly reported as Un-assigned fund balance rather than Restricted fund balance.
- In 2017, the Truck Reserve Fund was misclassified as a Special Revenue Fund instead of a Capital Projects Fund. This resulted in the an overstatement of Special Revenue Fund Charges for Services by \$20,865, Transfers In by \$16,295, Principal Retirement Expenditures by \$19,686, Interest and Fiscal Charges Expenditures by \$4,314, and beginning fund balance by \$2,222. As such, Capital Projects Funds were understated by these same amounts for each respective line item.
- **Ohio Rev. Code Section 5705.10(D)**, states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

Additionally, **Ohio Rev. Code Section 5735.28** states that wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to sections 4501.04, 5735.23, and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways, or to pay principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133 of the Revised Code or incurred pursuant to section 5531.09 of the Revised Code for such purposes.

The Village did not properly allocate motor vehicle license tax receipts between the State Highway Fund and the Street Fund during 2016. As stated above, the State Highway Fund was to receive seven and one-half percent and the remaining amount of ninety-two and one-half percent was to be received by the Street Fund. The Street Fund was overstated by \$324 and the State Highway Fund was understated by \$324.

The Village's financial statements also contained errors which were not material and did not result in adjustments being made to the financial statements and accounting system as follows:

- Special Revenue Fund general government expenditures were understated by \$343 in 2016 and \$362 in 2017 due to recording street light assessments at the net distribution amount instead of the gross distribution amount. As a result, Special Revenue Fund special assessment receipts were understated by this same amount.
- In 2017, Enterprise Fund property tax receipts were overstated by \$7,386 due to the misclassification of utility assessments in the Water, Sewer and Refuse Funds. Enterprise Fund general government expenditures were also understated by \$438 due to recording utility assessments at the net distribution amount instead of the gross distribution amount. As a result, Enterprise Fund special assessment receipts were understated by \$7,824.
- In 2016, Enterprise Fund property tax receipts were overstated by \$7,496 due to the misclassification of utility assessments in the Water, Sewer and Refuse Funds. Enterprise Fund general government expenditures were also understated by \$357 due to recording utility assessments at the net distribution amount instead of the gross distribution amount. As a result, Enterprise Fund special assessment receipts were understated by \$7,853.

FINDING NUMBER 2017-001
(Continued)

- In 2017, General Fund property tax receipts were overstated by \$146 due to the misclassification of mowing assessments. General Fund general government expenditures were also understated by \$1,226 due to recording mowing assessments at the net distribution amount instead of the gross distribution amount. As a result, General Fund special assessment receipts were understated by \$1,372.
- In 2016, General Fund property tax receipts were overstated by \$333 due to the misclassification of mowing assessments. General Fund general government expenditures were also understated by \$70 due to recording mowing assessments at the net distribution amount instead of the gross distribution amount. As a result, General Fund special assessment receipts were understated by \$403.
- Capital Projects Fund principal retirement expenditures were overstated by \$207 in 2016 and \$276 in 2017 due to the misclassification of fire truck loan debt service payments. As a result, interest and fiscal charges expenditures were understated by the same amounts.

Failure to review the Village's annual financial statements could result in materially misstated financial statements and misleading financial information. The Village should implement procedures to review its annual financial statements to ensure that any significant errors are identified and corrected. Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts. The Village should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted correctly. Due care is advised when posting revenues to the accounting system. Failure to post revenues to the correct funds could result in audit adjustments, incorrect fund balances being maintained, and unallowable revenue sources being used for expenditures.

When fund balances are not accurately classified, Village officials and management do not have accurate information as to the amount of fund balances that are restricted or committed for specific purposes. The Village should develop and implement procedures to ensure accurate accounting for year-end fund balances. The Village should also review Auditor of State Bulletin 2011-004 for guidelines in classifying fund balances in accordance with GASB Statement Number 54.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-002

Material Weakness

The Village did not present accurate annual financial statements as evidenced by the Village's annual financial reports not agreeing to the end of year reconciled bank balances. In 2016, the Village's reconciled bank balance was \$276,237 and the adjusted book balance was \$274,407 for a variance of \$1,830 (the bank was higher than the book). In 2017, the Village's reconciled bank balance was \$309,979 and the adjusted book balance was \$308,196 for a variance of \$1,783 (the bank was higher than the book). In addition to the reconciling variances noted above, we noted the following annual financial statement errors:

- The annual financial reports for 2016 and 2017 did not properly foot and crossfoot.
- The Village provided preliminary 2017 combining financial statements prior to the audit that did not agree to the final 2017 combined financial statements filed on the Hinkle system. The combined financial statements filed on the Hinkle system reported incorrect fund balances.
- In 2016 and 2017, Proprietary Funds were included on both the Governmental Funds statement and the Proprietary statement.

**FINDING NUMBER 2017-002
 (Continued)**

- In 2016, Transfers Out, Advances Out, Capital Outlay, Principal Retirement, and Interest Charges were reported as positives rather than negatives.
- The totals per the 2016 and 2017 subsidiary payroll ledgers were \$259 and \$1,003 greater than the fund ledgers, respectively.

Failure to maintain complete accountability of public monies could result in inaccurate financial statements and could increase the risk of misappropriation of assets occurring and going undetected in a timely manner.

The Village should use due care when compiling the annual financial statements. The Fiscal Officer should also utilize the Village Officers' Handbook for guidance in posting financial activity. The Village should consider switching to an automated accounting system for recording all revenue and disbursement transactions in order to aid in the preparation of the annual financial report.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-003

Noncompliance

Ohio Rev. Code Section 5705.10(I) states that money paid into any fund shall be used only for the purpose for which such fund is established. The existence of a deficit cash balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance. The Village had negative fund cash balances as follows:

FUND	MONTH END	FUND BALANCE
FEMA Special Revenue Fund	December 2016	(\$1,925)
General Fund	December 2016	(\$8,043)
FEMA Special Revenue Fund	August 2017	(\$1,925)
General Fund	August 2017	(\$31,051)
Water Enterprise Fund	August 2017	(\$16,969)

The December 31, 2016 negative fund cash balances for the FEMA and General Funds were a result of audit adjustments made to the financial statements.

A negative General Fund balance may result in the Village being placed in fiscal distress.

The Village should monitor fund balances to ensure that expenditures are made within appropriated levels of available funds and advance or transfer revenue from the General Fund when any fund is experiencing a cash flow problem which will result in a deficit fund balance. The Village should refer to Auditor of State Bulletin 97-003 for guidance on the approval process and accounting treatment of advances.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-004

Noncompliance

Ohio Admin. Code Section 117-2-02(C)(1) states, in part, that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Village annually received an Official Certificate of Estimated Resources from the Preble County Budget Commission and approved annual appropriation measures. The amount of estimated receipts from the certificate and the approved appropriations for each fund should be entered into the accounting system, which will enable the Village to monitor budgetary compliance with the approved budgeted amounts throughout the year.

During 2016 and 2017, the Village did not post appropriations to its manual accounting system fund disbursement ledgers.

The Village should implement procedures to verify that appropriations as approved by the Village Council are appropriately reflected in the accounting system. Failure to update the accounting system with approved budgetary information could result in Village officials making decisions using incomplete and inaccurate financial information. Village Council should regularly review reports which compare budget and actual financial activity.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-005

Noncompliance

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. In addition, **Ohio Rev. Code Section 5705.40** provides, in part, any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them.

At year-end, the following funds had expenditures and encumbrances in excess of appropriations at the fund level:

Fund	Expenditures Plus December 31, 2016 Encumbrances	December 31, 2016 Appropriations	Variance
Fire Fund	\$60,290	\$41,068	\$19,222
Water Fund	\$97,078	\$91,120	\$5,958
Sewer Fund	\$140,636	\$59,000	\$81,636

Fund	Expenditures Plus December 31, 2017 Encumbrances	December 31, 2017 Appropriations	Variance
Street Fund	\$34,306	\$26,000	\$8,306
Sewer Fund	\$149,737	\$145,558	\$4,179

FINDING NUMBER 2017-005
(Continued)

The Village should develop and implement procedures to properly monitor its budgetary expectations related to appropriations and actual expenditures/encumbrances. Doing so would enable the Village to comply with budgetary requirements while limiting the risk of spending more than is appropriated.

Officials' Response:

We did not receive a response from Officials to this finding.

**VILLAGE OF WEST MANCHESTER
OFFICE OF FISCAL OFFICER
LESLIE EVANS
P.O. BOX 168
WEST MANCHESTER, OH 45382
(937) 678-5051 PHONE
(937) 678-4353 FAX
villagewm@live.com**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Finding for Recovery – Repaid Under Audit	Fully corrected	N/A
2015-002	The Village’s financial statements contained material errors	Not corrected; re-issued as Finding 2017-001	The Village is taking corrective measures.
2015-003	The Village did not present accurate financial statements	Not corrected; re-issued as Finding 2017-002	The Village is taking corrective measures.
2015-004	Ohio Rev. Code § 5705.10(I), the Village had negative fund balances	Not corrected; re-issued as Finding 2017-003	The Village is taking corrective measures.
2015-005	Ohio Admin. Code § 117-2-02(C)(1), the Village did not post appropriations and estimated resources to its manual accounting system	Partially corrected; re-issued as Finding 2017-004	This was completed at the end of December, 2017 and the beginning of January, 2018.
2015-006	Ohio Rev. Code § 5705.41(B), disbursements and encumbrances exceeded appropriations	Not corrected; re-issued as Finding 2017-005	Completed at the end of December, 2017 and the beginning of January, 2018.
2015-007	The Village did not follow GASB 54 requirements for classifying fund balances	Not corrected; re-issued as part of Finding 2017-001	The Village is taking corrective measures.

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OHIO AUDITOR OF STATE
KEITH FABER



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
MARCH 12, 2019**