



Certified Public Accountants, A.C.

**VILLAGE OF WEST UNION
ADAMS COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Village Council
Village of West Union
P. O. Box 395
West Union, Ohio 45693

We have reviewed the *Independent Auditor's Report* of the Village of West Union, Adams County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. 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 Union is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 13, 2019

This page intentionally left blank.

VILLAGE OF WEST UNION
ADAMS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2018	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2018	4
Notes to the Financial Statements For the Year Ended December 31, 2018	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017	14
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2017	15
Notes to the Financial Statements For the Year Ended December 31, 2017	16
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	26
Schedule of Audit Findings	28
Schedule of Prior Audit Findings.....	31

This page intentionally left blank.



Certified Public Accountants, A.C.

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

INDEPENDENT AUDITOR'S REPORT

June 18, 2019

Village of West Union
Adams County
P.O. Box 395
West Union, Ohio 45693

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 Union**, Adams County, (the Village) as of and for the years ended December 31, 2018 and 2017.

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 opinions.

www.perrycpas.com

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

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

As described in Note 1B 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 permitted 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, 2018 and 2017, or 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 Union, Adams County as of December 31, 2018 and 2017, 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 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 51,289	\$ 136,022	\$ 187,311
Municipal Income Tax	716,415	-	716,415
Intergovernmental	48,333	106,608	154,941
Charges for Services	360	555,713	556,073
Fines, Licenses and Permits	76,763	4,001	80,764
Earnings on Investments	6,516	125	6,641
Miscellaneous	22,939	10,126	33,065
<i>Total Cash Receipts</i>	<u>922,615</u>	<u>812,595</u>	<u>1,735,210</u>
Cash Disbursements			
Current:			
Security of Persons and Property	374,145	715,555	1,089,700
Public Health Services	-	4,334	4,334
Basic Utility Services	1,206	-	1,206
Transportation	46,268	132,144	178,412
General Government	429,520	-	429,520
<i>Total Cash Disbursements</i>	<u>851,139</u>	<u>852,033</u>	<u>1,703,172</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>71,476</u>	<u>(39,438)</u>	<u>32,038</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	86,470	86,470
Transfers Out	(86,470)	-	(86,470)
Other Financing Uses	(97,131)	-	(97,131)
<i>Total Other Financing (Disbursements)</i>	<u>(183,601)</u>	<u>86,470</u>	<u>(97,131)</u>
<i>Net Change in Fund Cash Balances</i>	(112,125)	47,032	(65,093)
<i>Fund Cash Balances, January 1</i>	<u>911,687</u>	<u>431,293</u>	<u>1,342,980</u>
Fund Cash Balances, December 31			
Restricted	-	478,325	478,325
Assigned	472,794	-	472,794
Unassigned	326,768	-	326,768
<i>Fund Cash Balances, December 31</i>	<u>\$ 799,562</u>	<u>\$ 478,325</u>	<u>\$ 1,277,887</u>

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Types	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 1,499,413	\$ -	\$ 1,499,413
<i>Total Operating Cash Receipts</i>	<u>1,499,413</u>	<u>-</u>	<u>1,499,413</u>
Operating Cash Disbursements			
Personal Services	297,376	-	297,376
Employee Fringe Benefits	126,203	-	126,203
Contractual Services	126,877	-	126,877
Supplies and Materials	238,239	-	238,239
Other	370,368	-	370,368
<i>Total Operating Cash Disbursements</i>	<u>1,159,063</u>	<u>-</u>	<u>1,159,063</u>
<i>Operating Income</i>	<u>340,350</u>	<u>-</u>	<u>340,350</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	315,188	-	315,188
Special Assessments	43,246	-	43,246
Other Debt Proceeds	112,149	-	112,149
Miscellaneous Receipts	23,027	-	23,027
Capital Outlay	(427,337)	-	(427,337)
Principal Retirement	(352,431)	-	(352,431)
Interest and Other Fiscal Charges	(108,372)	-	(108,372)
Other Financing Uses	(48,946)	-	(48,946)
Other Non-Operating Receipts	-	70,835	70,835
Other Non-Operating Disbursements	-	(70,835)	(70,835)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(443,476)</u>	<u>-</u>	<u>(443,476)</u>
<i>Income before Transfers</i>	<u>(103,126)</u>	<u>-</u>	<u>(103,126)</u>
Transfers In	463,000	-	463,000
Transfers Out	(463,000)	-	(463,000)
<i>Net Change in Fund Cash Balances</i>	<u>(103,126)</u>	<u>-</u>	<u>(103,126)</u>
<i>Fund Cash Balances, January 1</i>	<u>422,297</u>	<u>-</u>	<u>422,297</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 319,171</u>	<u>\$ -</u>	<u>\$ 319,171</u>

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of West Union, Adams County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, police, EMS and fire protection, road maintenance and general government services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. This organization is:

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provision 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.

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.

All deposits are maintained in an interest-bearing checking account and certificate of deposits. One of the Village certificate of deposits was cash in May of this year.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. 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 Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Fire Operating Levy Fund – This fund receives local taxes and revenues from contracts with other political subdivisions to provide fire protection services.

Emergency Medical Services Fund – This fund receives receipts through a Adams County property tax and charges for services to provide security of persons and property.

3. Enterprise Funds

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

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

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

Enterprise Improvement Fund – This fund receives debt proceeds from the Ohio Water Development Authority to cover debt payments for sewer projects.

4. Fiduciary Funds

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

Agency Fund

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

VILLAGE OF WEST UNION
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 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.

F. 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:

1. Nonspendable

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

2. 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 it is imposed by law through constitutional provisions.

3. 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.

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

4. 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.

5. 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.

G. 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.

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS

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

	<u>2018</u>
Demand deposits	<u>\$ 1,556,560</u>
Certificates of deposit	<u>40,498</u>
Total deposits	<u><u>\$ 1,597,058</u></u>

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

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 940,770	\$ 922,615	\$ (18,155)
Special Revenue	950,900	899,065	(51,835)
Enterprise	5,214,369	2,456,023	(2,758,346)
Total	\$ 7,106,039	\$ 4,277,703	\$ (2,828,336)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,389,950	\$ 1,044,584	\$ 345,366
Special Revenue	1,017,434	859,331	158,103
Enterprise	5,360,506	5,083,509	276,997
Total	\$ 7,767,890	\$ 6,987,424	\$ 780,466

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

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.

5. LOCAL INCOME TAX

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Also, this year the Income tax department stated to receive electro deposit files (ACH).

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

6. DEBT

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest</u>
USDA Rural Development Sewer Bond Issue - 1995	\$ 764,300	4.50%
OWDA Manchester Water Line Loan 2133 - 1999	279,931	4.00%
OWDA East Side Sewer Line Loan 3365 - 2001	47,626	2.20%
OWDA Main Steet Water Main Replacement Loan 6448 - 2013	1,145,376	1.99%
OWDA Water System Improvements Loan 6811 - 2017	1,839,046	1.50%
OWDA Improvement to Sanitary Sewer System - Planning Loan 7747	199,208	1.00%
Total	<u>\$ 4,275,487</u>	

The USDA Rural Development Sewer Bond was issued in 1995 for \$1,200,000. Proceeds were used to rehabilitate the Village's wastewater treatment plant and other system components. The bond issue mature in varying amounts from \$21,800 in 2011 to \$67,200 in 2034.

The Village obtained loans from the Ohio Water Development Authority for \$940,000 and \$399,677, respectively for certain water and sewer line construction projects. Upon completion of the projects, actual loan balances were adjusted to final costs and payments made through the date the loans were finalized were considered in establishing final payment amortization amounts. Payments of principal and interest are payable semi-annually through 2021 and 2023.

During 2003, the Village issued a \$1,500,000 refunding issue to consolidate several previously issued bonds related to the water and sewer systems. The water system is responsible for 33 percent of the refunding bonds while the sewer system is responsible for 67 percent. **This bond was paid off in 2018.**

The Village entered into an OWDA Main Street Replacement Loan #6448 approved on April 25, 2013 at 1.99%, in the amount of \$1,457,561. As of December 31, 2014, \$1,443,187 had been drawn on the loan. The Village has agreed to set utility rates sufficient to cover the debt. As of December 31, 2014, the loan has not been amortized; therefore the future funding requirements for the retirement of this loan have not been included in the amortization schedule below.

The Village entered into an OWDA Water Systems Improvement Loan #6811 (new water tower) approved August 2014, at 1.5%. As of December 2016, \$1,827,894 has been drawn on this loan and the Village has requested for it to be closed. This loan is not schedule to be repaid until 2018.

The Village entered into an OWDA Water Systems Improvement Loan #7747 (Improvement to Sanitary Sewer System – Planning Loan) approved in 2017, at 1%. Repayment has not been scheduled to start until the project is complete.

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

6. DEBT (Continued)

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

Year Ending December 31	Sewer Bonds #92-07	OWDA Loan #6448	OWDA Loan #2133	OWDA Loan #3365	OWDA Loan #6811
2019	\$ 66,793	\$ 88,698	\$ 67,458	\$ 24,472	\$ 78,026
2020	66,835	88,698	68,504	-	78026
2021	67,010	88,698	69,612	-	78026
2022	67,208	88,698	70,784	-	78026
2023	67,425	88,698	35,693	-	78026
2024-2028	340,083	433,490	-	-	390130
2029-2033	346,336	433,490	-	-	390130
2034-2038	70,224	88,698	-	-	390130
Total	\$ 1,091,914	\$ 1,399,168	\$ 312,051	\$ 24,472	\$ 2,262,754

The Village has started on a Pump Station Rehabilitation Project for the Sewer Department in 2018. This project will be finished in 2019. The loan is thru Ohio Water Development Authority.

Leases

The village leases vehicles and other equipment under noncancelable leases. The Village disbursed \$62,220 to pay lease costs for the year ended December 31, 2018.

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2018, Ohio Police & Fire members contributed 12.25% of their gross wages and the Village contributed an amount equaling 19.5% of the police participant wages. For 2018, 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, 2018.

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

8. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017 (latest information available).

	<u>2017</u>
Assets	\$44,452,32
Liabilities	(13,004,01
Net Position	\$31,448,31

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the Government's share of these unpaid claims collectible in future years is approximately \$41,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2018 Contributions to PEP</u> <u>\$ 65,869</u>
--

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

8. RISK MANAGEMENT (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. TRANSFERS

During 2018, the following transfers were made:

	<u>Transfers - In</u>	<u>Transfers - Out</u>
General Fund	\$ -	\$ 86,470
EMS - Medicare Fund	86,470	-
Water Operating Fund	-	289,000
Water Debt Fund	289,000	-
Sewer Operating Fund	-	174,000
Sewer Debt Fund	174,000	-
	<u>\$ 549,470</u>	<u>\$ 549,470</u>

During 2018, a transfer was made from the Water Operating Fund to its corresponding Water Debt Fund in accordance with the Village's resolution #2005-1. A transfer was made from the Sewer Operating Fund to its corresponding Sewer Debt Fund in accordance with the Village's resolution #2005-2. A transfer from the General Fund to the EMS- Medicare Fund was made in accordance with the Village's resolution 2018-17.

10. RELATED ORGANIZATIONS

The Village's volunteer fire department established the West Union Firemen's Building Association, a non-profit organization, for the purpose of owning a building to house the fire-fighting equipment owned by the Village. The President of the Association is also an employee of the Village. The Village pays the Association a monthly fee for this equipment storage.

11. 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 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member directed plan was 4.0 percent during calendar year 2018.

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 48,518	\$ 124,220	\$ 172,738
Municipal Income Tax	706,563	-	706,563
Intergovernmental	48,443	160,125	208,568
Charges for Services	607	382,696	383,303
Fines, Licenses and Permits	70,340	6,085	76,425
Earnings on Investments	3,129	240	3,369
Miscellaneous	30,387	948	31,335
<i>Total Cash Receipts</i>	<u>907,987</u>	<u>674,314</u>	<u>1,582,301</u>
Cash Disbursements			
Current:			
Security of Persons and Property	413,970	536,700	950,670
Public Health Services	7,964	4,210	12,174
Basic Utility Services	830	-	830
Transportation	47,002	80,282	127,284
General Government	405,189	31	405,220
Capital Outlay	28,591	54,923	83,514
<i>Total Cash Disbursements</i>	<u>903,546</u>	<u>676,146</u>	<u>1,579,692</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>4,441</u>	<u>(1,832)</u>	<u>2,609</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	1,416	1,416
Transfers Out	(1,416)	-	(1,416)
Other Financing Uses	(33,884)	-	(33,884)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(35,300)</u>	<u>1,416</u>	<u>(33,884)</u>
<i>Net Change in Fund Cash Balances</i>	(30,859)	(416)	(31,275)
<i>Fund Cash Balances, January 1</i>	<u>942,546</u>	<u>431,709</u>	<u>1,374,255</u>
Fund Cash Balances, December 31			
Restricted	-	431,293	431,293
Assigned	350,678	-	350,678
Unassigned	561,009	-	561,009
<i>Fund Cash Balances, December 31</i>	<u>\$ 911,687</u>	<u>\$ 431,293</u>	<u>\$ 1,342,980</u>

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$ 1,454,949	\$ -	\$ 1,454,949
<i>Total Operating Cash Receipts</i>	<u>1,454,949</u>	<u>-</u>	<u>1,454,949</u>
Operating Cash Disbursements			
Personal Services	268,371	-	268,371
Employee Fringe Benefits	127,505	-	127,505
Contractual Services	199,569	-	199,569
Supplies and Materials	312,302	-	312,302
Other	356,966	-	356,966
<i>Total Operating Cash Disbursements</i>	<u>1,264,713</u>	<u>-</u>	<u>1,264,713</u>
<i>Operating Income</i>	<u>190,236</u>	<u>-</u>	<u>190,236</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	133,535	-	133,535
Other Debt Proceeds	116,000	-	116,000
Miscellaneous Receipts	27,741	-	27,741
Capital Outlay	(116,000)	-	(116,000)
Principal Retirement	(290,710)	-	(290,710)
Interest and Other Fiscal Charges	(92,457)	-	(92,457)
Other Financing Uses	(46,650)	-	(46,650)
Other Non-Operating Receipts	-	68,803	68,803
Other Non-Operating Disbursements	-	(68,803)	(68,803)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(268,541)</u>	<u>-</u>	<u>(268,541)</u>
<i>Income (Loss) before Transfers</i>	<u>(78,305)</u>	<u>-</u>	<u>(78,305)</u>
Transfers In	372,800	-	372,800
Transfers Out	(372,800)	-	(372,800)
<i>Net Change in Fund Cash Balances</i>	<u>(78,305)</u>	<u>-</u>	<u>(78,305)</u>
<i>Fund Cash Balances, January 1</i>	<u>500,602</u>	<u>-</u>	<u>500,602</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 422,297</u>	<u>\$ -</u>	<u>\$ 422,297</u>

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of West Union, Adams County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, police and fire protection, road maintenance and general government services. The Village contracted with West Union Volunteer Life Squad, Inc. to receive emergency medical services, until May 2017. At this time, West Union Life Squad merged with the West Union Volunteer Fire Department. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. This organization is:

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provision 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.

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.

All deposits are maintained in an interest-bearing checking account and certificate of deposits.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. 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 Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Fire Operating Levy Fund – This fund receives local taxes and revenues from contracts with other political subdivisions to provide fire protection services.

Emergency Medical Services Fund – This fund receives receipts through charges for services to provide security of persons and property.

3. Enterprise Funds

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

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

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

Enterprise Improvement Fund – This fund receives debt proceeds from the Ohio Water Development Authority to cover debt payments for sewer projects.

4. Fiduciary Funds

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

Agency Fund

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

VILLAGE OF WEST UNION
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 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.

F. 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:

1. Nonspendable

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

2. 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 it is imposed by law through constitutional provisions.

3. 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.

VILLAGE OF WEST UNION
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

4. 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.

5. 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.

G. 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.

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS

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

	<u>2017</u>
Demand deposits	\$ 1,709,043
Certificates of deposit	<u>56,234</u>
Total deposits	<u>\$ 1,765,277</u>

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

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

3. BUDGETARY ACTIVITY

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 959,270	\$ 907,987	\$ (51,283)
Special Revenue	901,651	675,730	(225,921)
Enterprise	2,233,928	2,105,025	(128,903)
Total	\$ 4,094,849	\$ 3,688,742	\$ (406,107)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,318,257	\$ 938,846	\$ 379,411
Special Revenue	1,018,150	676,146	342,004
Enterprise	2,399,820	2,256,299	143,521
Total	\$ 4,736,227	\$ 3,871,291	\$ 864,936

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

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.

5. LOCAL INCOME TAX

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Also, this year the Income tax department stated to receive electro deposit files (ACH).

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

6. DEBT

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest
USDA Rural Development Sewer Bond Issue - 1995	\$ 795,000	4.50%
OWDA Manchester Water Line Loan 2133 - 1999	333,077	4.00%
OWDA East Side Sewer Line Loan 3365 - 2001	70,669	2.20%
5/3 Bank Water/Sewer Refinance Bonds - 2003	130,000	4.94%
OWDA Main Steet Water Main Replacement Loan 6448 - 2013	1,210,309	1.99%
OWDA Water System Improvements Loan 6811 - 2017	1,889,655	1.50%
OWDA Improvement to Sanitary Sewer System - Planning Loan 7747	87,059	1.00%
Total	\$ 4,515,769	

The USDA Rural Development Sewer Bond was issued in 1995 for \$1,200,000. Proceeds were used to rehabilitate the Village's wastewater treatment plant and other system components. The bond issue mature in varying amounts from \$21,800 in 2011 to \$67,200 in 2034.

The Village obtained loans from the Ohio Water Development Authority for \$940,000 and \$399,677, respectively for certain water and sewer line construction projects. Upon completion of the projects, actual loan balances were adjusted to final costs and payments made through the date the loans were finalized were considered in establishing final payment amortization amounts. Payments of principal and interest are payable semi-annually through 2021 and 2023.

During 2003, the Village issued a \$1,500,000 refunding issue to consolidate several previously issued bonds related to the water and sewer systems. The water system is responsible for 33 percent of the refunding bonds while the sewer system is responsible for 67 percent. The bonds mature in varying amounts from \$95,000 in 2011 to \$130,000 in 2018.

The Village entered into an OWDA Main Street Replacement Loan #6448 approved on April 25, 2013 at 1.99%, in the amount of \$1,457,561. As of December 31, 2014, \$1,443,187 had been drawn on the loan. The Village has agreed to set utility rates sufficient to cover the debt. As of December 31, 2014, the loan has not been amortized; therefore the future funding requirements for the retirement of this loan have not been included in the amortization schedule below.

The Village entered into an OWDA Water Systems Improvement Loan #6811 (new water tower) approved August 2014, at 1.5%. As of December 2016, \$1,827,894 has been drawn on this loan and the Village has requested for it to be closed. This loan is not schedule to be repaid until 2018.

The Village entered into an OWDA Water Systems Improvement Loan #7747 (Improvement to Sanitary Sewer System – Planning Loan) approved in 2017, at 1%. Repayment has not been scheduled to start until the project is complete.

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

6. DEBT (Continued)

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

Year Ending December 31	Sewer Bonds #92-07	OWDA Loan #6448	OWDA Loan #2133	OWDA Loan #3365	5th/3rd Refinance Bonds	OWDA Loan #6811
2018	\$ 66,475	\$ 88,698	\$ 66,469	\$ 24,472	\$ 136,663	\$ 77,106
2019	66,793	88,698	67,458	24,472	-	77,106
2020	66,835	88,698	68,504	-	-	77,106
2021	67,010	88,698	69,612	-	-	77,106
2022	67,208	88,698	70,784	-	-	77,106
2023-2027	339,048	433,490	35,693	-	-	385,533
2028-2032	334,997	433,490	-	-	-	385,533
2033-2037	140,023	177,396	-	-	-	385,533
Total	\$ 1,148,389	\$ 1,487,866	\$ 378,520	\$ 48,944	\$ 136,663	\$ 2,313,195

Leases

The village leases vehicles and other equipment under noncancelable leases. The Village disbursed \$62,220 to pay lease costs for the year ended December 31, 2017.

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2017, Ohio Police & Fire members contributed 12.25% of their gross wages and the Village contributed an amount equaling 19.5% of the police participant wages. For 2017, 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.

8. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

8. RISK MANAGEMENT (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	2017
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government's share of these unpaid claims collectible in future years is approximately \$41,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2017 Contributions to PEP
\$ 65,767

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership. The contribution that was made on the Village behalf was: \$65,767.

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

9. TRANSFERS

During 2016, the following transfers were made:

	<u>Transfers - In</u>	<u>Transfers - Out</u>
General Fund	\$ -	\$ (1,416)
EMS - Medicare Fund	1,416	
Water Operating Fund	-	(195,000)
Water Debt Fund	195,000	-
Sewer Operating Fund	-	(177,800)
Sewer Debt Fund	177,800	-
	<u>\$ 374,216</u>	<u>\$ (374,216)</u>

During 2017, a transfer was made from the Water Operating Fund to its corresponding Water Debt Fund in accordance with the Village's resolution #2005-1. A transfer was made from the Sewer Operating Fund to its corresponding Sewer Debt Fund in accordance with the Village's resolution #2005-2. A transfer from the General Fund to the EMS- Medicare Fund was made in accordance with the Village's resolution 2017-27.

10. RELATED ORGANIZATIONS

The Village's volunteer fire department established the West Union Firemen's Building Association, a non-profit organization, for the purpose of owning a building to house the fire-fighting equipment owned by the Village. The President of the Association is also an employee of the Village. The Village pays the Association a monthly fee for this equipment storage.

11. EMS AGREEMENT

By an agreement dated April 28, 2009, the Adams County Commissioners and the Village of West Union agreed that, effective May 1, 2009, in exchange for the County providing monthly funding respectively of EMS Levy funds beginning May 1, 2009 for at least until November 2011. The Village and the Adams County Commissioners are working on a contract same as the one before to provide the same coverage. The Village is to provide EMS services covering the Villages of West Union and Liberty, Tiffin, Brush Creek and Jefferson Townships in Adams County, Ohio. The Village further agreed to be wholly responsible to continue to provide such services in the event that the current EMS Levy or renewal levies cease. The levy was approved during 2015 for an additional 5 years. The County provided to the Village titles to EMS vehicles for such services. On May 1, 2017, the EMS has been accepted as part of the West Union Volunteer Fire Department. At this time, the Village still accepts the levy funds from the Adams County Commissioner's EMS Levy. The Village also accepts the billing money from Medicare, Medicaid and other sources of insurance billing. With this merger the EMS still covers the same area: Village of West Union, Liberty, Tiffin, Brush Creek and Jefferson Townships in Adams County.

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

12. 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 1 percent during calendar year 2017.



Certified Public Accountants, A.C.

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

June 18, 2019

Village of West Union
Adams County
P.O. Box 395
West Union, Ohio 45693

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 cash balances, receipts, and disbursements by fund type of the **Village of West Union**, Adams County (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 18, 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 opinion 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 a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

www.perrycpas.com

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2018-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 18, 2019.

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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Material Weakness

Posting Receipts, Disbursements and Classification of Fund Balances

The Village should have procedures and controls in place to help prevent and detect errors in financial reporting. Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*.

During 2018 and 2017, receipts, disbursements and fund balances were not always posted or classified correctly. The following errors were noted:

- Mayor's Court activity was not recorded in the agency fund within UAN in 2018 and 2017;
- Debt proceeds were not properly recorded during 2018 and 2017;
- Debt payments were not always properly recorded during 2018 and 2017;
- Subsequent year appropriations that exceeded estimated receipts in the General Fund were reclassified from Unassigned to Assigned in the General Fund in 2018 and 2017.

Not posting receipts, disbursements, or classifying fund balances accurately resulted in the financial statements requiring adjustments and reclassifications. The Village has made all adjustments to its accounting system. The financial statements reflect all adjustments and reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Clerk/Treasurer refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Clerk/Treasurer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Officials' Response – Officials did not provide a response to this finding.

VILLAGE OF WEST UNION
ADAMS COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-002

Noncompliance

Properly Encumbering Disbursements

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the Clerk/Treasurer is attached thereto. The Clerk/Treasurer officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's Clerk/Treasurer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a Clerk/Treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the Clerk/Treasurer can certify that both at the time that the contract or order was made ("then"), and at the time that the Clerk/Treasurer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the Clerk/Treasurer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Clerk/Treasurers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Clerk/Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-002

Noncompliance (Continued)

Properly Encumbering Disbursements (Continued)

The Village did not properly certify the availability of funds prior to purchase commitment for 3 of 15 (20%) of the expenditures tested for 2018 and for 6 of 29 (21%) of the expenditures tested for 2017.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk/Treasurer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

Officials' Response – Officials did not provide a response to this finding.

VILLAGE OF WEST UNION
ADAMS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Posting Receipts, Disbursements and Classification of Fund Balances	Not Corrected	Repeated Finding 2018-001

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF WEST UNION

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 26, 2019**