

VILLAGE OF WEST MANCHESTER
PREBLE COUNTY, OHIO

Financial Statements

**For the Years Ended
December 31, 2019 and 2018**



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Village Council
Village of West Manchester
200 Scott Street
West Manchester, Ohio 45382

We have reviewed the *Independent Auditor's Report* of the Village of West Manchester, Preble County, prepared by Julian & Grube, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of West Manchester is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 18, 2020

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**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

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Independent Auditor's Report

Village of West Manchester
Preble County
200 Scott Street
West Manchester, Ohio 45382

To the Members of Council and Mayor:

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, as of and for the years ended December 31, 2019 and 2018.

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 of West Manchester'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 of West Manchester'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.

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

As described in Note 2 of the financial statements, the Village of West Manchester 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 of West Manchester 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 of West Manchester as of December 31, 2019 and 2018, 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, Ohio, as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As disclosed in Note 12 to the financial statements for December 31, 2019, the financial impact of COVID-19 and the ensuing emergency measure will impact subsequent periods of the Village of West Manchester. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2020, on our consideration of the Village of West Manchester'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 of West Manchester's internal control over financial reporting and compliance.



Julian & Grube, Inc.
August 11, 2020

Village of West Manchester
Preble County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|-----------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$13,457 | \$8,150 | \$ - | \$21,607 |
| Intergovernmental | 26,506 | 24,452 | - | 50,958 |
| Special Assessments | - | 6,892 | - | 6,892 |
| Charges for Services | - | 65,500 | - | 65,500 |
| Fines, Licenses and Permits | 2,149 | - | - | 2,149 |
| Earnings on Investments | 689 | - | - | 689 |
| Miscellaneous | 2,419 | 2,769 | - | 5,188 |
| <i>Total Cash Receipts</i> | <u>45,220</u> | <u>107,763</u> | <u>-</u> | <u>152,983</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | - | 57,103 | - | 57,103 |
| Basic Utility Services | - | 8,211 | - | 8,211 |
| Transportation | 193 | 24,395 | - | 24,588 |
| General Government | 34,822 | - | - | 34,822 |
| Capital Outlay | - | 699 | - | 699 |
| Debt Service: | | | | |
| Principal Retirement | - | - | 21,239 | 21,239 |
| Interest and Fiscal Charges | - | - | 2,761 | 2,761 |
| <i>Total Cash Disbursements</i> | <u>35,015</u> | <u>90,408</u> | <u>24,000</u> | <u>149,423</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>10,205</u> | <u>17,355</u> | <u>(24,000)</u> | <u>3,560</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | - | 2,691 | 24,269 | 26,960 |
| Transfers Out | (3,620) | (24,200) | - | (27,820) |
| Advances In | 12,100 | - | - | 12,100 |
| Advances Out | (2,500) | (6,000) | - | (8,500) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>5,980</u> | <u>(27,509)</u> | <u>24,269</u> | <u>2,740</u> |
| <i>Net Change in Fund Cash Balances</i> | 16,185 | (10,154) | 269 | 6,300 |
| <i>Fund Cash Balances, January 1</i> | <u>17,153</u> | <u>39,395</u> | <u>12,084</u> | <u>68,632</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | - | 29,241 | 12,353 | 41,594 |
| Unassigned (Deficit) | 33,338 | - | - | 33,338 |
| <i>Fund Cash Balances, December 31</i> | <u>\$33,338</u> | <u>\$29,241</u> | <u>\$12,353</u> | <u>\$74,932</u> |

See accompanying notes to the financial statements

Village of West Manchester
Preble County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2019

| | Proprietary Fund Type |
|---|--------------------------|
| | Enterprise |
| Operating Cash Receipts | |
| Charges for Services | \$277,209 |
| Miscellaneous | 3,385 |
| | 280,594 |
| <i>Total Operating Cash Receipts</i> | <i>280,594</i> |
| Operating Cash Disbursements | |
| Personal Services | 65,611 |
| Contractual Services | 79,813 |
| Supplies and Materials | 5,691 |
| Other | 3,927 |
| | 155,042 |
| <i>Total Operating Cash Disbursements</i> | <i>155,042</i> |
| <i>Operating Income (Loss)</i> | <i>125,552</i> |
| Non-Operating Receipts (Disbursements) | |
| Special Assessments | 1,552 |
| Capital Outlay | (3,001) |
| Principal Retirement | (38,264) |
| Interest and Other Fiscal Charges | (49,478) |
| | (89,191) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <i>(89,191)</i> |
| <i>Income (Loss) before Transfers and Advances</i> | <i>36,361</i> |
| Transfers In | 83,853 |
| Transfers Out | (82,995) |
| Advances In | 2,500 |
| Advances Out | (6,100) |
| | 33,619 |
| <i>Net Change in Fund Cash Balances</i> | <i>33,619</i> |
| <i>Fund Cash Balances, January 1</i> | <i>208,761</i> |
| <i>Fund Cash Balances, December 31</i> | <i>\$242,380</i> |

See accompanying notes to the financial statements

**Village of West Manchester
Preble County, Ohio**

Notes to the Financial Statements
For Year Ended December 31, 2019

Note 1-Reporting Entity

Description of the Entity

The Village of West Manchester, Ohio, (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 five-member Council currently directs the Village. The Village provides water, sewer, and trash utilities, as well as park operations. The Village also provides a local, volunteer fire department. Emergency medical services are provided through Monroe Township. Police protection is provided by Preble County.

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

A. 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 proprietary fund type which are organized on a fund type basis.

B. 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 Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

These statements include adequate disclosure of material matters, as the 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, respectively.

**Village of West Manchester
Preble County, Ohio**

Notes to the Financial Statements
For Year Ended December 31, 2019

D. 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:

1. 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 general laws of Ohio.

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 Special Revenue Funds:

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

State Highway Fund-The state 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 Fund-The fire fund receives money from contracts with local village and township fire districts to provide for the protection of area citizens.

Police Fund-The police fund receives quarterly transfers from the general fund (interest income only) for the protection of village citizens.

Street Light Fund-The street light fund receives bi-annual assessment payments from the Preble County Auditor's office. These funds are restricted for the payments of street light services within the Village.

**Village of West Manchester
Preble County, Ohio**

Notes to the Financial Statements
For Year Ended December 31, 2019

3. 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 capital project fund:

Fire Truck Reserve Fund - The fire truck reserve fund receives transfers from the fire fund and excess fire contract monies set aside for the purchase of a fire truck.

4. Enterprise Funds

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

Water Fund-The water fund receives charges for services from residents to cover the cost of providing this utility. This fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund-The sewer fund receives charges for services from residents to cover the cost of sewer services. This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Refuse Fund-The refuse fund receives charges for services from residents to cover the cost of refuse services. This fund accounts for the provision of refuse collection services to the residents and commercial users within the Village.

Sewer Reserve Fund- The sewer reserve fund was established to hold one year's payments for the sewer loan with USDA. This fund currently has the amount required by USDA and only receives quarterly payments from the general fund for interest distribution.

Water Reserve Fund-The water reserve fund was established to set aside funds for large monetary repairs at the water plant. Funds for this account are transferred in from the water fund on a monthly basis.

Short-Lived Asset Fund-The short-lived asset fund was established to set aside funds for large monetary repairs at the sewer plant. Funds for this account are transferred in from the sewer fund on a monthly basis.

**Village of West Manchester
Preble County, Ohio**

Notes to the Financial Statements
For Year Ended December 31, 2019

Sewer Sinking Fund-The sewer sinking fund receives monthly transfers from the sewer fund to pay the loan payment at USDA for the sewer system.

Utility Deposit Fund-The utility deposit fund receives charges for water deposits from residents and commercial users when opening a utility account with the Village. Deposits are only used for current, unpaid billing, when the account is closed.

E. Budgetary Process

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

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

A summary of 2019 budgetary activity appears in Note 4.

F. 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.

G. Accumulated Leave

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

Village of West Manchester
Preble County, Ohio

Notes to the Financial Statements
For Year Ended December 31, 2019

H. Fund Balance

Fund Balance is divided into five classification 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 purposed 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 Statue.

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.

Village of West Manchester
Preble County, Ohio

Notes to the Financial Statements
For Year Ended December 31, 2019

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 the 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

The Village was in noncompliance with Ohio Revised Code Section 5705.41 (D) due to invoices being dated before purchase orders.

Note 4-Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|-----------------|
| General | \$ 61,900 | \$ 57,320 | (\$ 4,580) |
| Special Revenue | \$107,575 | \$110,454 | \$ 2,879 |
| Capital Projects | \$ 24,300 | \$ 24,269 | (\$ 31) |
| Enterprise | <u>\$366,356</u> | <u>\$368,499</u> | <u>\$ 2,143</u> |
| Total | <u>\$560,131</u> | <u>\$560,542</u> | <u>\$ 411</u> |

**Village of West Manchester
Preble County, Ohio**

Notes to the Financial Statements
For Year Ended December 31, 2019

2019 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|------------------|
| General | \$ 48,150 | \$ 41,135 | \$ 7,015 |
| Special Revenue | \$ 126,350 | \$120,608 | \$ 5,742 |
| Capital Projects | \$ 35,000 | \$ 24,000 | \$ 11,000 |
| Enterprise | <u>\$ 369,359</u> | <u>\$334,880</u> | <u>\$ 34,479</u> |
| Total | <u>\$ 578,859</u> | <u>\$520,623</u> | <u>\$ 58,236</u> |

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, 2019 was as follows:

| | |
|---|------------------|
| Demand deposits | \$ 131,478 |
| Other time deposits (Savings and Now Accounts) | <u>185,841</u> |
| Total | <u>\$317,319</u> |

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.

Note 6-Taxes

Property Taxes

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

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

**Village of West Manchester
Preble County, Ohio**

Notes to the Financial Statements
For Year Ended December 31, 2019

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

Note 7-Interfund Balance

Outstanding advances at December 31, 2019, consisted of \$31,590 and \$9,694 advanced to the Street and Water funds, respectively, from the General fund to provide working capital for operations and/or projects.

Note 8-Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- ✓ Comprehensive property and general liability
- ✓ Employment practices
- ✓ Liability of public officials
- ✓ Vehicles

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, 2019.

Social Security

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participate.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Village of West Manchester
Preble County, Ohio

Notes to the Financial Statements
For Year Ended December 31, 2019

Note 10-Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to 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 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 11-Debt

Debt outstanding at December 31, 2019 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---------------------------------|--------------------|----------------------|
| LCNB Loan-Fire Truck | \$ 62,153 | 3.75% |
| OPWC Loan-Water Treatment Plant | \$ 34,603 | 0.00% |
| OWDA Loan-Water Line Extension | \$ 27,555 | 3.92% |
| USDA-Sewer Plant | \$ 927,140 | 4.25% |
| USDA-Sewer Plant | <u>\$ 187,550</u> | 4.25% |
| Totals | <u>\$1,239,001</u> | |

The LCNB loan relates to the purchase of a fire truck. The loan is to be repaid in monthly installments, including interest at 3.75%, starting in 2013 for a period of 10 years ending in 2022.

The OPWC loan relates to the water treatment plant improvements. The interest-free loan is to be repaid in semiannual installments of \$6,921 which started in 2003. This loan is for a period of 20 years, ending in July, 2022.

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

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

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

**Village of West Manchester
Preble County, Ohio**

Notes to the Financial Statements
For Year Ended December 31, 2019

| Year Ending December 31: | OPWC Loans | OWDA Loans | USDA Loan | USDA Loan | LCNB Loans |
|-----------------------------|-------------------------|-------------------------|----------------------------|--------------------------|-------------------------|
| 2020 | \$ 6,921 | \$ 1,118 | \$ 59,593 | \$ 12,227 | \$ 22,404 |
| 2021 | 13,842 | 2,235 | 59,605 | 12,057 | 22,403 |
| 2022 | 13,842 | 2,235 | 59,590 | 12,056 | 22,403 |
| 2023 | - | 2,235 | 59,608 | 12,047 | - |
| 2024 | - | 2,235 | 59,595 | 12,081 | - |
| 2025 - 2029 | - | 11,194 | 297,999 | 60,295 | - |
| 2030 - 2034 | - | 11,284 | 298,001 | 60,297 | - |
| 2035 - 2039 | - | 5,560 | 297,999 | 60,293 | - |
| 2040 - 2044 | - | - | 297,995 | 60,297 | - |
| 2045 | - | - | 59,599 | 12,051 | - |
| Total | <u>\$ 34,605</u> | <u>\$ 38,096</u> | <u>\$ 1,549,584</u> | <u>\$ 313,701</u> | <u>\$ 67,210</u> |

Note 12-Subsequent Events

The Village has been awarded a grant with the Ohio Public Works Commission (OPWC) for a project to cover improvement to water lines on Main Street, as well as electronic water meters for every water tap within the Village. This project will consist of a combination of grant, in-kind money, and loan. This project is slated to begin in the Spring of 2020. As of December 31, 2019, final numbers for each of the stated categories has not been determined.

The Village has been awarded a grant from Ohio Department of Natural Resources (ODNR) in the amount of \$52,700. This project will entail various projects at the village park. This grant will consist of a combination of grant and in-kind participation. As of December 31, 2019, final numbers for each of the stated categories has not been determined. This project is slated to begin in the Spring of 2020.

The United States of America and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, receipts, and any recovery from emergency funding, either federal or state, cannot be estimated.

Village of West Manchester
Preble County, Ohio
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 | Capital Projects | Totals (Memorandum Only) |
|---|-----------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$12,742 | \$8,690 | \$ - | \$21,432 |
| Intergovernmental | 25,631 | 20,922 | - | 46,553 |
| Special Assessments | - | 6,265 | - | 6,265 |
| Charges for Services | - | 65,600 | 8,640 | 74,240 |
| Fines, Licenses and Permits | 2,210 | - | - | 2,210 |
| Earnings on Investments | 623 | - | - | 623 |
| Miscellaneous | 4,727 | 6,681 | - | 11,408 |
| <i>Total Cash Receipts</i> | <u>45,933</u> | <u>108,158</u> | <u>8,640</u> | <u>162,731</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | - | 57,022 | - | 57,022 |
| Basic Utility Services | - | 6,589 | - | 6,589 |
| Transportation | 143 | 26,324 | - | 26,467 |
| General Government | 42,412 | - | - | 42,412 |
| Capital Outlay | 3,938 | 2,286 | - | 6,224 |
| Debt Service: | | | | |
| Principal Retirement | - | - | 20,448 | 20,448 |
| Interest and Fiscal Charges | - | - | 3,552 | 3,552 |
| <i>Total Cash Disbursements</i> | <u>46,493</u> | <u>92,221</u> | <u>24,000</u> | <u>162,714</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(560)</u> | <u>15,937</u> | <u>(15,360)</u> | <u>17</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | - | 173 | 12,062 | 12,235 |
| Transfers Out | (560) | (12,000) | - | (12,560) |
| Advances In | 9,600 | - | - | 9,600 |
| Advances Out | - | (6,000) | - | (6,000) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>9,040</u> | <u>(17,827)</u> | <u>12,062</u> | <u>3,275</u> |
| <i>Net Change in Fund Cash Balances</i> | 8,480 | (1,890) | (3,298) | 3,292 |
| <i>Fund Cash Balances, January 1</i> | <u>8,673</u> | <u>41,285</u> | <u>15,382</u> | <u>65,340</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | - | 39,395 | 12,084 | 51,479 |
| Unassigned (Deficit) | <u>17,153</u> | <u>-</u> | <u>-</u> | <u>17,153</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$17,153</u> | <u>\$39,395</u> | <u>\$12,084</u> | <u>\$68,632</u> |

See accompanying notes to the financial statements

Village of West Manchester
Preble County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2018

| | Proprietary Fund Type |
|---|--------------------------|
| | Enterprise |
| Operating Cash Receipts | |
| Charges for Services | \$249,073 |
| Miscellaneous | 6,436 |
| <i>Total Operating Cash Receipts</i> | 255,509 |
| Operating Cash Disbursements | |
| Personal Services | 68,255 |
| Contractual Services | 84,683 |
| Supplies and Materials | 7,611 |
| Other | 4,907 |
| <i>Total Operating Cash Disbursements</i> | 165,456 |
| <i>Operating Income (Loss)</i> | 90,053 |
| Non-Operating Receipts (Disbursements) | |
| Property and Other Local Taxes | 3,330 |
| Capital Outlay | (36,468) |
| Principal Retirement | (37,241) |
| Interest and Other Fiscal Charges | (50,491) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | (120,870) |
| <i>Income (Loss) before Transfers and Advances</i> | (30,817) |
| Transfers In | 86,282 |
| Transfers Out | (85,960) |
| Advances Out | (3,600) |
| <i>Net Change in Fund Cash Balances</i> | (34,095) |
| <i>Fund Cash Balances, January 1</i> | 242,856 |
| <i>Fund Cash Balances, December 31</i> | \$208,761 |

See accompanying notes to the financial statements

**Village of West Manchester
Preble County, Ohio**

Notes to the Financial Statements
For Year Ended December 31, 2018

Note 1-Reporting Entity

Description of the Entity

The Village of West Manchester, Ohio, (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 five-member Council currently directs the Village. The Village provides water, sewer, and trash utilities, as well as park operations. The Village also provides a local, volunteer fire department. Emergency medical services are provided through Monroe Township. Police protection is provided by Preble County.

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

A. 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 the proprietary fund type which are organized on a fund type basis.

B. 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 Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

These statements include adequate disclosure of material matters, as the 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, respectively.

**Village of West Manchester
Preble County, Ohio**

Notes to the Financial Statements
For Year Ended December 31, 2018

D. 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:

1. 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 general laws of Ohio.

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 Special Revenue Funds:

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

State Highway Fund-The state 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 Fund-The fire fund receives money from contracts with local village and township fire districts to provide for the protection of area citizens.

Police Fund-The police fund receives quarterly transfers from the general fund (interest income only) for the protection of village citizens.

Street Light Fund-The street light fund receives bi-annual assessment payments from the Preble County Auditor's office. These funds are restricted for the payments of street light services within the Village.

Village of West Manchester
Preble County, Ohio

Notes to the Financial Statements
For Year Ended December 31, 2018

3. 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 capital project fund:

Fire Truck Reserve Fund-The fire truck reserve fund receives transfers from the fire fund and excess fire contract monies set aside for the purchase of a fire truck.

4. Enterprise Funds

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

Water Fund-The water fund receives charges for services from residents to cover the cost of providing this utility. This fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund-The sewer fund receives charges for services from residents to cover the cost of sewer services. This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Refuse Fund-The refuse fund receives charges for services from residents to cover the cost of refuse services. This fund accounts for the provision of refuse collection services to the residents and commercial users within the Village.

Sewer Reserve Fund- The sewer reserve fund was established to hold one year's payments for the sewer loan with USDA. This fund currently has the amount required by USDA and only receives quarterly payments from the general fund for interest distribution.

Water Reserve Fund-The water reserve fund was established to set aside funds for large monetary repairs at the water plant. Funds for this account are transferred in from the water fund on a monthly basis.

Short-Lived Asset Fund-The short-lived asset fund was established to set aside funds for large monetary repairs at the sewer plant. Funds for this account are transferred in from the sewer fund on a monthly basis.

Sewer Sinking Fund-The sewer sinking fund receives monthly transfers from the sewer fund to pay the loan payment at USDA for the sewer system.

Village of West Manchester
Preble County, Ohio

Notes to the Financial Statements
For Year Ended December 31, 2018

Utility Deposit Fund-The utility deposit fund receives charges for water deposits from residents and commercial users when opening a utility account with the Village. Deposits are only used for current, unpaid billing, when the account is closed.

E. Budgetary Process

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

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

A summary of 2018 budgetary activity appears in Note 4.

F. 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.

G. Accumulated Leave

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

**Village of West Manchester
Preble County, Ohio**

Notes to the Financial Statements
For Year Ended December 31, 2018

H. Fund Balance

Fund Balance is divided into five classification 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:

Nonspendable

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.

**Village of West Manchester
Preble County, Ohio**

Notes to the Financial Statements
For Year Ended December 31, 2018

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 the 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

- (1) The Village was in noncompliance with Ohio Revised Code Sections 5705.39 and 5705.36 due to appropriations exceeding estimated resources.
- (2) The Village was in noncompliance with Ohio Revised Code Section 5705.41 (D) due to invoices being dated before purchase orders.
- (3) The Village was in noncompliance with Ohio Revised Code Sections 5705.41 (B) and 5705.40 for disbursements exceeding appropriations.

Note 4-Budgetary Activity

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

2018 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|------------------|
| General | \$ 40,000 | \$ 55,533 | \$ 15,533 |
| Special Revenue | \$ 83,600 | \$108,331 | \$ 24,731 |
| Capital Projects | \$ 5,000 | \$ 20,702 | \$ 15,702 |
| Enterprise | <u>\$260,000</u> | <u>\$345,121</u> | <u>\$ 85,121</u> |
| Total | <u>\$388,600</u> | <u>\$529,687</u> | <u>\$141,087</u> |

**Village of West Manchester
Preble County, Ohio**

Notes to the Financial Statements
For Year Ended December 31, 2018

2018 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|-------------------------|------------------------|-------------------|
| General | \$ 45,486 | \$ 47,053 | (\$ 1,567) |
| Special Revenue | \$ 95,800 | \$110,221 | (\$14,421) |
| Capital Projects | \$ 24,000 | \$ 24,000 | \$ 0 |
| Enterprise | <u>\$344,458</u> | <u>\$379,216</u> | <u>(\$34,758)</u> |
| Total | <u>\$509,744</u> | <u>\$560,490</u> | <u>(\$50,746)</u> |

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, 2018 was as follows:

| | |
|---|------------------|
| Demand deposits | \$ 92,072 |
| Other time deposits (Savings and Now Accounts) | <u>185,321</u> |
| Total | <u>\$277,393</u> |

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.

Note 6-Taxes

Property Taxes

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

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

Village of West Manchester
Preble County, Ohio

Notes to the Financial Statements
For Year Ended December 31, 2018

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

Note 7-Interfund Balance

Outstanding advances at December 31, 2018, consisted of \$37,590 and \$13,294 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
- ✓ Employment practices
- ✓ Liability of public officials
- ✓ Vehicles

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, 2018.

Social Security

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participate.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Village of West Manchester
Preble County, Ohio

Notes to the Financial Statements
For Year Ended December 31, 2018

Note 10-Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to 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.

Note 11-Debt

Debt outstanding at December 31, 2018 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---------------------------------|--------------------|----------------------|
| LCNB Loan-Fire Truck | \$ 83,392 | 3.75% |
| OPWC Loan-Water Treatment Plant | \$ 48,445 | 0.00% |
| OWDA Loan-Water Line Extension | \$ 28,677 | 3.92% |
| USDA-Sewer Plant | \$ 946,520 | 4.25% |
| USDA-Sewer Plant | <u>\$ 191,470</u> | 4.25% |
| Totals | <u>\$1,298,504</u> | |

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

The OPWC loan relates to the water treatment plant improvements. The interest-free loan is to be repaid in semiannual installments of \$6,921, which started in 2003. This loan is for a period of 20 years, ending in July, 2022.

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

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

Village of West Manchester
Preble County, Ohio

Notes to the Financial Statements
For Year Ended December 31, 2018

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

| Year Ending December 31: | OPWC Loans | OWDA Loans | USDA Loan | USDA Loan | LCNB Loans |
|-----------------------------|-------------------------|-------------------------|----------------------------|--------------------------|-------------------------|
| 2019 | \$ 6,921 | \$ 1,118 | \$ 59,607 | \$ 12,057 | \$ 22,403 |
| 2020 | 13,842 | 2,236 | 59,593 | 12,083 | 22,404 |
| 2021 | 13,842 | 2,236 | 59,605 | 12,057 | 22,403 |
| 2022 | 13,842 | 2,236 | 59,590 | 12,056 | 22,403 |
| 2023 | - | 2,236 | 59,608 | 12,047 | 1,949 |
| 2024 - 2028 | - | 11,185 | 297,998 | 60,322 | - |
| 2029 - 2033 | - | 11,264 | 297,997 | 60,301 | - |
| 2034 - 2038 | - | 9,565 | 297,997 | 60,286 | - |
| 2039 - 2043 | - | - | 297,997 | 60,288 | - |
| 2044 - 2045 | - | - | 119,200 | 24,117 | - |
| Total | <u>\$ 48,447</u> | <u>\$ 42,076</u> | <u>\$ 1,609,192</u> | <u>\$ 325,614</u> | <u>\$ 91,562</u> |

Note 12- Related Party Transactions

During a portion of 2018, the Village paid Board of Public Affairs member Doug Evans a monthly gross salary of \$15.00 per BPA meeting that he attended. This salary was paid quarterly. These checks were signed by Fiscal Officer Leslie Evans. Doug Evans is the spouse of the Fiscal Officer.

Note 13-Miscellaneous Receipts

General fund miscellaneous receipts consist primarily of Bureau of Workers Compensation refunds, insurance proceeds from settlements and sale of assets.

**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
200 Scott Street
West Manchester, Ohio 45382

To the Members of Council and Mayor:

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, Ohio, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated August 11, 2020, wherein we noted the Village of West Manchester followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. In addition, as disclosed in Note 12 to the financial statements for the year ended December 31, 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village of West Manchester'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 of West Manchester'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 of West Manchester'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 and responses that we consider material weaknesses. We consider findings 2019-001 through 2019-006 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village of West Manchester'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 and responses as items 2019-002 through 2019-006.

Village of West Manchester's Responses to Findings

The Village of West Manchester's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not subject the Village of West Manchester's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Julian & Grube, Inc.
August 11, 2020

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019 AND 2018**

| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS | |
|--|----------|
| Finding Number | 2019-001 |

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions. Presentation of materially correct financial statements and the related footnotes is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason. In either case, it is important that control procedures are developed related to the financial statements that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes. In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made.

Numerous adjustments were made to the financial statements and note disclosures to properly state amounts. The audited financial statements, note disclosures, and Village records have been adjusted for the misstatements identified during the audit.

Control procedures not properly developed related to the financial statements limit management's ability to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes. Additionally, management will not have the necessary information to make timely and well-informed business decisions.

We recommend the Village implement additional control procedures that enable management to more timely prevent or detect and correct potential misstatements in the financial statements and related notes prior to presenting them to the auditors. A second review of the monthly cash activity and financial statements by someone other than the individual preparing them would be beneficial.

Client Response: The Fiscal Officer will work to provide a sound fiscal environment for the Village and will consider implementing additional policies and procedures to assist with more accurate financial statement presentation.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019 AND 2018**

| FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS | |
|---|----------|
| Finding Number | 2019-002 |

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources.

The Village had appropriations in excess of estimated resources for the year ending December 31, 2018 in the following funds:

| <u>Fund Type/Fund</u> | <u>Estimated Resources</u> | <u>Appropriations</u> | <u>Excess</u> |
|-------------------------------|----------------------------|-----------------------|---------------|
| <u>Capital Projects Fund:</u> | | | |
| Fire Truck Reserve Fund | \$ 20,382 | \$ 24,000 | \$ 3,618 |
| <u>Enterprise Fund Type:</u> | | | |
| Sewer Surcharge Fund | \$ 36,125 | \$ 72,000 | \$ 35,875 |
| Refuse Fund | \$ 48,691 | \$ 50,000 | \$ 1,309 |

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend the Village comply with the Ohio Revised Code by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The Village will continue to attempt to modify appropriations and amended certificates in an efficient and accurate manner.

| | |
|----------------|----------|
| Finding Number | 2019-003 |
|----------------|----------|

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.36, in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected be greater or less than the amount in the last certified amended certificate.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019 AND 2018**

| FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued) | |
|---|-----------------------|
| Finding Number | 2019-003- (Continued) |

During the year ended December 31, 2018, the Village did not request enough amended certificates throughout the year upon notice of increased or decreased resources, thus causing appropriations to exceed estimated resources.

By not timely amending its certificate of estimated resources to the County Auditor, the Village is basing appropriation and expenditure decisions on outdated information.

We recommend the Village consult the Ohio Compliance Supplement, the Village’s Manual and its auditors to ensure it files amended certificates as necessary throughout the year. This will facilitate the Village’s appropriation process.

Client Response: The Village is attempting to monitor the budget more closely.

| | |
|----------------|----------|
| Finding Number | 2019-004 |
|----------------|----------|

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The Village had disbursements that were not timely certified for the years ended December 31, 2019 and 2018, respectively.

Without timely certification, the Village may expend more funds than available in the Treasury, in the process of collection or in the funds appropriated. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the disbursements of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Council and distributed at least annually may be beneficial. The Village should consider using “Then” and “Now” certificates where applicable.

Client Response: The Village is continually trying to improve its ordering and purchasing process to decrease its noncompliance percentage.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019 AND 2018**

| FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued) | |
|---|------------------------|
| Finding Number | 2019-005 - (Continued) |

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The Village had disbursements exceeding appropriations for the year ending December 31, 2018 in the following funds:

| <u>Fund Type/Fund</u> | <u>Appropriations</u> | <u>Disbursements</u> | <u>Excess</u> |
|-----------------------------------|-----------------------|----------------------|---------------|
| General Fund | 45,486 | 47,053 | 1,567 |
| <u>Special Revenue Fund Type:</u> | | | |
| State Highway Fund | 5,400 | 6,623 | 1,223 |
| Fire Fund | 63,500 | 71,001 | 7,501 |
| <u>Enterprise Fund Type:</u> | | | |
| Sewer Fund | 146,058 | 153,528 | 7,470 |
| Water Reserve Fund | - | 5,922 | 5,922 |
| Short-lived Asset Fund | - | 19,731 | 19,731 |
| Utility Deposit Fund | 1,000 | 3,965 | 2,965 |

Disclosure is presented at the fund level to the practicality of disclosing at the legal level of control and due to supplemental appropriations being adopted at the fund level.

With disbursements exceeding appropriations, the Village is expending monies that have not been appropriated and approved by the Village Council. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend the Village comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring disbursements so they do not exceed lawful appropriations and amending the budget prior to year-end. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary, subsequent to the passage of permanent appropriations.

Client Response: The Village is actively seeking to resolve this.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019 AND 2018**

| FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued) | |
|---|----------|
| Finding Number | 2019-006 |

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations.

The Village did not properly modify the its appropriations throughout the years. Due to not properly modifying appropriations, disbursements exceeded appropriations in several funds for the year ending December 31, 2018.

Additionally, the Village supplemental appropriations did not follow the appropriate legal level of control as adopted in the permanent appropriations.

By not timely and properly modifying the Village’s appropriations, the Village is not adequately monitoring appropriations versus disbursements. With disbursements exceeding appropriations, overspending may occur which may result in a negative fund balance. By not following the same legal level of control as the permanent appropriations, the Village Council is unable to track spending at the appropriate level.

We recommend the Village comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring disbursements so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary, subsequent to the passage of permanent appropriations. Additionally, we recommend the Village specify in its ordinances and resolutions, any modifications of appropriations at the same legal level of permanent appropriations.

Client Response: The Village is aware of the requirement for Council approval and is currently implementing additional policies and procedures to have all supplemental appropriations properly approved prior to including in the Village accounting system.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019 AND 2018**

| Finding Number | Year Initially Occurred | Finding Summary | Status | Additional Information |
|-----------------------|--------------------------------|---|-------------------------|---|
| 2017-001 | 2007 | <u>Material Weakness/Noncompliance – Financial Statements:</u> The Village had numerous adjustments to the financial statements, and was noncompliant with Ohio Revised Code Sections 5705.10(D) and 5735.28. | Partially Corrected | Noncompliance Corrected; Material Weakness repeated as finding 2019-001 as the Village had adjustments to the financial statements. |
| 2017-002 | 2015 | <u>Material Weakness – Annual Financial Statements:</u> The Village had bank reconciliation variances and thus annual financial report discrepancies. | Partially Corrected | See Management Letter |
| 2017-003 | 2015 | <u>Noncompliance:</u> The Village had negative cash balances in noncompliance with Ohio Revised Code Section 5705.10(I). | Corrective Action Taken | Finding Fully Corrected |
| 2017-004 | 2015 | <u>Noncompliance:</u> The Village did not post appropriations to its manual accounting system fund disbursement ledgers in noncompliance with Ohio Revised Code Section 117-2-02(C)(1). | Partially Corrected | See Management Letter |
| 2017-005 | 2001 | <u>Noncompliance:</u> The Village had expenditures and encumbrances in excess of appropriations at the fund level in noncompliance with Ohio Revised Code Section 5705.41(B) and 5705.40. | Not Corrected | Repeated as findings 2019-005 and 2019-006. |

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF WEST MANCHESTER

PREBLE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/1/2020

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Phone: 614-466-4514 or 800-282-0370

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