



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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VILLAGE OF WEST ELKTON  
PREBLE COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2016 and 2015  
Fiscal Years Audited Under GAGAS: 2016 and 2015

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# Dave Yost • Auditor of State

Village Council  
Village of West Elkton  
135 North Main Street  
West Elkton, OH 45070

We have reviewed the *Independent Auditor's Report* of the Village of West Elkton, Preble County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2015 through December 31, 2016. 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 Elkton is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

August 31, 2017

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

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For the Years Ended December 31, 2016 and 2015

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**Independent Auditor's Report**

Village of West Elkton  
Preble County  
PO Box 180  
West Elkton, Ohio 45070

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 Elkton, Preble County, (the Village) as of and for the years ended December 31, 2016 and 2015.

***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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position 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 combined cash balances of the Village of West Elkton, Preble County, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2017, 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.



BHM CPA Group Inc.  
Piketon, Ohio  
June 23, 2017



**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$ 2,689	\$ 6,425	\$ -	\$ 9,114
Income Tax	24,418	-	-	24,418
Intergovernmental	35,333	12,142	56,566	104,041
Charges for Services	900	-	-	900
Fines, Licenses, and Permits	4,035	-	-	4,035
Earnings on Investments	34	9	-	43
Miscellaneous	3,758	-	-	3,758
	<u>71,167</u>	<u>18,576</u>	<u>56,566</u>	<u>146,309</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons & Property	-	6,099	-	6,099
Transportation	-	28,806	-	28,806
General Government	34,162	-	-	34,162
Capital Outlay	-	-	56,566	56,566
	<u>34,162</u>	<u>34,905</u>	<u>56,566</u>	<u>125,633</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursements	37,005	(16,329)	-	20,676
Fund Cash Balances, January 1	<u>35,298</u>	<u>52,091</u>	<u>334</u>	<u>87,723</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	35,762	334	36,096
Unassigned	72,303	-	-	72,303
<b>Fund Cash Balances, December 31</b>	<u>\$ 72,303</u>	<u>\$ 35,762</u>	<u>\$ 334</u>	<u>\$ 108,399</u>

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

**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$ 2,583	\$ 6,307	\$ -	\$ 8,890
Income Tax	20,270	-	-	20,270
Intergovernmental	15,141	12,507	-	27,648
Charges for Services	600	-	-	600
Fines, Licenses, and Permits	4,034	-	-	4,034
Earnings on Investments	48	15	-	63
Miscellaneous	714	-	-	714
	<u>43,390</u>	<u>18,829</u>	<u>-</u>	<u>62,219</u>
<b>Total Cash Receipts</b>				
	<u>43,390</u>	<u>18,829</u>	<u>-</u>	<u>62,219</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons & Property	-	1,055	-	1,055
Transportation	-	7,310	-	7,310
General Government	37,044	-	-	37,044
Capital Outlay	-	43,706	-	43,706
	<u>37,044</u>	<u>52,071</u>	<u>-</u>	<u>89,115</u>
<b>Total Cash Disbursements</b>				
	<u>37,044</u>	<u>52,071</u>	<u>-</u>	<u>89,115</u>
Total Cash Receipts Over/(Under) Cash Disbursements	6,346	(33,242)	-	(26,896)
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers In	-	43,583	-	43,583
Transfers Out	(43,583)	-	-	(43,583)
	<u>(43,583)</u>	<u>43,583</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
	<u>(43,583)</u>	<u>43,583</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(37,237)	10,341	-	(26,896)
Fund Cash Balances, January 1	72,535	41,750	334	114,619
	<u>72,535</u>	<u>41,750</u>	<u>334</u>	<u>114,619</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	52,091	334	52,425
Unassigned	35,298	-	-	35,298
	<u>35,298</u>	<u>-</u>	<u>-</u>	<u>35,298</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 35,298</u>	<u>\$ 52,091</u>	<u>\$ 334</u>	<u>\$ 87,723</u>

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

**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**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 Elkton, Preble County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government and maintenance of roads. The Village contracts with West Elkton-Gratis Township Joint Fire District to receive fire protection services and the Village of Gratis to provide emergency medical services.

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. Note 7 to the financial statements provides additional information for this entity:

Public Entity Risk Pool:

PEP is a risk-sharing pool available to Ohio local governments, which provides property and casualty coverage for its members.

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

**B. Accounting Basis**

These financial statements follow the accounting basis 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.

**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 ELKTON  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(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 Fund:

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

**3. Capital Projects Funds**

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

Rural Development Sewer Fund – This fund receives proceeds of bank loans, Ohio Water Development Authority Loan Proceeds, and Ohio Public Works monies for the construction of a wastewater treatment plant.

Grant Construction OPWC – This fund receives proceeds of Ohio Public Works monies for infrastructure projects.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 and 2015 budgetary activity appears in Note 3.

**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

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

**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 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.

**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.

**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

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

**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 cash at December 31 was as follows:

	2016	2015
Demand deposits	\$108,399	\$87,723
Total deposits	\$108,399	\$87,723

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,007	\$71,167	\$25,160
Special Revenue	18,315	18,576	261
Capital Projects	56,566	56,566	0
Total	\$120,888	\$146,309	\$25,421

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$34,882	\$34,162	\$720
Special Revenue	37,606	34,905	2,701
Capital Projects	56,566	56,566	0
Total	\$129,054	\$125,633	\$3,421

**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

**3. Budgetary Activity (Continued)**

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,690	\$43,390	\$8,700
Special Revenue	61,138	62,412	1,274
Total	\$95,828	\$105,802	\$9,974

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$100,774	\$80,627	\$20,147
Special Revenue	68,990	52,071	16,919
Total	\$169,764	\$132,698	\$37,066

Transfers were not budgeted by the Village.

**4. Property Tax**

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

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's Tax Administrator either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

**7. 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. 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 York. 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, 2016, 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, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Assets	\$42,182,281	\$38,307,677
Liabilities	<u>(13,396,700)</u>	<u>(12,759,127)</u>
Net Position	<u>\$28,785,581</u>	<u>\$25,548,550</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. At December 31, 2015 the liabilities above include approximately 11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased from 499 members in 2015 to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$2,000.

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.

Contributions to PEP

2016	\$2,878
2015	2,874



**VILLAGE OF WEST ELKTON  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

**7. 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.

**8. Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding of any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**9. Transfers**

In 2015, the Village transferred 43,583 to a capital projects fund in order to assist with the cost of parks and recreation additions.



**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Required by *Government Auditing Standards***

Village of West Elkton  
Preble County  
PO Box 180  
West Elkton, Ohio 45070

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 cash balances, receipts, and disbursements by fund type of the Village of West Elkton, Preble County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 23, 2017 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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

***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.

*BHM CPA Group*

BHM CPA Group Inc.  
Piketon, Ohio  
June 23, 2017

**VILLAGE OF WEST ELKTON  
PREBLE COUNTY  
DECEMBER 31, 2016 AND 2015  
SCHEDULE OF FINDINGS**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Material Noncompliance/ Material Weakness**

The Village entered a grant agreement with the Ohio Public Works Commission to replace a culvert. For this grant \$7,183 was recorded in the General Fund, while the remaining \$49,383 was not recorded by the Village.

The Auditor of State technical bulletin 2000-008 prescribes the accounting treatment for cash basis local government's participation in on-behalf-of grants or improvement projects.

When a local government enters an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made. This accounting treatment should only be applied when a local government or its residents are the recipients of benefits as evidenced by an agreement or an approved program application.

The Auditor of State technical bulletin 2002-004 outlines the accounting treatment for Public Works Commissions Infrastructure Grants. This bulletin states that all local governments participating in Issue 2 Funds (single or multi-project grant) must, for each project awarded, establish a capital projects fund to account for both the Issue 2 monies and local matching funds. It is not necessary to obtain authorization from the Auditor of State to establish the fund(s) because the authority exists under Section 5705.09 of the Ohio Revised Code. The purpose of the fund is to account for the related revenues and expenditures to the extent the local government has received benefit from the project.

Furthermore, the bulletin states that OPWC will make payments to the contractor(s) for its share based on invoices submitted by the fiscal officer or to the local government as a reimbursement. For payments made to the contractor, the State will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the capital projects fund equal to the amount disbursed by the OPWC.

We recommend that the Village Council approve the establishment of a new fund for resources that are restricted by external parties. The Fiscal Officer should establish this fund in the accounting system. This fund will account for disbursements and receipts restricted by the grant. Furthermore, the Village should record on-behalf payments in the capital projects fund established for the project.

**Client Response:** We received no response from officials regarding the above findings.

**FINDING NUMBER 2016-002**

**Material Noncompliance/ Material Weakness**

Ohio Rev. Code, Section 5705.41 (D) states 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.

**VILLAGE OF WEST ELKTON  
PREBLE COUNTY  
DECEMBER 31, 2016 AND 2015  
SCHEDULE OF FINDINGS**

**FINDING NUMBER 2016-002 (Continued)**

**Material Noncompliance/ Material Weakness (continued)**

This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate – If the fiscal officer can certify that both at the time That the contract or order was made (“then”), and at the time that the fiscal officer 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 Village can authorize the drawing of a warrant for the payment or the amount due. The Village can authorize the drawing of a warrant for the payment of the amount due. The Village 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 maybe paid by the fiscal officer 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 Village.

- B. Blanket Certificate – Fiscal officers 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 on particular line item appropriation.
- C. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer’s certification was not utilized for any disbursement made by the Village. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds prior to making a purchase obligation. Failure to properly certify funds could result in overspending and negative fund balances.

The Village should certify purchases to which 5705.41 (D) applies. The most convenient method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Client Response:** We received no response from officials regarding the above findings.

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# Dave Yost • Auditor of State

VILLAGE OF WEST ELKTON

PREBLE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 12, 2017