



Dave Yost • Auditor of State

VILLAGE OF WEST MANCHESTER
PREBLE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Mayor and 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 Village of West Manchester, Preble County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014.

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 opinions.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or 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 combined cash balances of the Village of West Manchester, Preble County as of December 31, 2015 and 2014, 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 2.

Other Matters

The Village has suffered recurring losses from operations and has a fund cash balance deficiency of \$22,286 in the General Fund as of December 31, 2015. Based solely on inquiries and scanning of unaudited fund cash balances as of September 11, 2017, the Village may require additional revenue or cost-cutting measures to continue paying its obligations when due. The notes to the financial statements do not disclose this matter; however, it does not affect our opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 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.



Dave Yost
Auditor of State
Columbus, Ohio

September 11, 2017

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$13,687	\$6,793		\$20,480
Intergovernmental	22,945	27,045		49,990
Charges for Services		48,200	\$5,114	53,314
Fines, Licenses and Permits	1,998			1,998
Earnings on Investments	219			219
Miscellaneous	3,371	1,252	1,005	5,628
Total Cash Receipts	<u>42,220</u>	<u>83,290</u>	<u>6,119</u>	<u>131,629</u>
Cash Disbursements:				
Current:				
Leisure Time Activities	1,110			1,110
Transportation	141	1,898		2,039
Salary & Wages	8,886	24,653		33,539
Contractual Services	15,699	29,268		44,967
Supplies & Materials	3,117	22,979		26,096
Capital Outlay		66,432		66,432
Debt Service:				
Principal Retirement			18,247	18,247
Interest and Fiscal Charges			5,753	5,753
Total Cash Disbursements	<u>28,953</u>	<u>145,230</u>	<u>24,000</u>	<u>198,183</u>
Excess of Receipts Over (Under) Disbursements	<u>13,267</u>	<u>(61,940)</u>	<u>(17,881)</u>	<u>(66,554)</u>
Other Financing Receipts (Disbursements):				
Transfers In		21,794	24,588	46,382
Transfers Out	(21,930)	(24,566)		(46,496)
Advances In	27,554	50,000		77,554
Advances Out	(50,000)	(23,954)		(73,954)
Total Other Financing Receipts (Disbursements)	<u>(44,376)</u>	<u>23,274</u>	<u>24,588</u>	<u>3,486</u>
Net Change in Fund Cash Balances	(31,109)	(38,666)	6,707	(63,068)
Fund Cash Balances, January 1	<u>8,823</u>	<u>90,012</u>	<u>325</u>	<u>99,160</u>
Fund Cash Balances, December 31:				
Restricted		51,346	7,032	58,378
Unassigned (Deficit)	(22,286)			(22,286)
Fund Cash Balances, December 31	<u>(22,286)</u>	<u>\$51,346</u>	<u>\$7,032</u>	<u>\$36,092</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$262,745
Miscellaneous	213
Total Operating Cash Receipts	262,958
Operating Cash Disbursements:	
Personal Services	59,344
Employee Fringe Benefits	1,903
Contractual Services	90,329
Supplies and Materials	10,196
Other	15,501
Total Operating Cash Disbursements	177,273
Operating Income (Loss)	85,685
Non-Operating Receipts (Disbursements):	
Property and Other Local Taxes	6,378
Intergovernmental	50,790
Capital Outlay	(53,377)
Principal Retirement	(34,532)
Interest and Other Fiscal Charges	(53,212)
Total Non-Operating Receipts (Disbursements)	(83,953)
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	1,732
Transfers In	84,279
Transfers Out	(84,165)
Advances Out	(3,600)
Net Change in Fund Cash Balances	(1,754)
Fund Cash Balances, January 1	248,269
Fund Cash Balances, December 31	\$246,515

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**COMBINED STATEMENT OF STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$12,099	\$6,012		\$18,111
Intergovernmental	19,190	26,558		45,748
Charges for Services	262	46,400	\$10,463	57,125
Fines, Licenses and Permits	1,901	50		1,951
Earnings on Investments	605			605
Miscellaneous	1,323	3,192		4,515
Total Cash Receipts	<u>35,380</u>	<u>82,212</u>	<u>10,463</u>	<u>128,055</u>
Cash Disbursements:				
Current:				
Transportation	185	2,369		2,554
General Government	1,731			1,731
Salary & Wages	8,389	31,156		39,545
Contractual Services	23,264	24,755		48,019
Supplies & Materials	2,387	13,833		16,220
Capital Outlay		34,017		34,017
Debt Service:				
Principal Retirement			17,765	17,765
Interest and Fiscal Charges			6,235	6,235
Total Cash Disbursements	<u>35,956</u>	<u>106,130</u>	<u>24,000</u>	<u>166,086</u>
Excess of Receipts Over (Under) Disbursements	<u>(576)</u>	<u>(23,918)</u>	<u>(13,537)</u>	<u>(38,031)</u>
Other Financing Receipts (Disbursements):				
Transfers In		668	262	930
Transfers Out	(2,361)			(2,361)
Advances In	4,200	31,644		35,844
Advances Out	(61,438)	(2,100)		(63,538)
Total Other Financing Receipts (Disbursements)	<u>(59,599)</u>	<u>30,212</u>	<u>262</u>	<u>(29,125)</u>
Net Change in Fund Cash Balances	(60,175)	6,294	(13,275)	(67,156)
Fund Cash Balances, January 1	<u>68,998</u>	<u>83,718</u>	<u>13,600</u>	<u>166,316</u>
Fund Cash Balances, December 31:				
Restricted		91,937	325	92,262
Unassigned (Deficit)	8,823	(1,925)		6,898
Fund Cash Balances, December 31	<u>\$8,823</u>	<u>\$90,012</u>	<u>\$325</u>	<u>\$99,160</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$255,784
Miscellaneous	834
Total Operating Cash Receipts	256,618
Operating Cash Disbursements:	
Personal Services	53,297
Employee Fringe Benefits	2,138
Contractual Services	81,109
Supplies and Materials	11,723
Other	2,738
Total Operating Cash Disbursements	151,005
Operating Income (Loss)	105,613
Non-Operating Receipts (Disbursements):	
Property and Other Local Taxes	469
Intergovernmental	595,127
Capital Outlay	(613,037)
Principal Retirement	(33,676)
Interest and Other Fiscal Charges	(54,051)
Total Non-Operating Receipts (Disbursements)	(105,168)
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	445
Transfers In	88,601
Transfers Out	(87,170)
Advances In	29,794
Advances Out	(2,100)
Net Change in Fund Cash Balances	29,570
Fund Cash Balances, January 1	218,699
Fund Cash Balances, December 31	\$248,269

See accompanying notes to the basic financial statements.

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 & 2014**

1. REPORTING ENTITY

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

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

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 all proprietary fund types which are organized on a fund type basis.

B. 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 the 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 significant Special Revenue Funds:

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

Fire Fund - The fund receives money from contracts with local townships to provide for the fire protection of area citizens.

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 significant capital project fund:

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 & 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Enterprise Funds

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

Water Fund - The water 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 accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sewer Sinking Fund - The sewer sinking fund receives transfers from the sewer fund to make debt payments.

C. 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 Council 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.

D. 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

VILLAGE OF WEST MANCHESTER
PREBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 & 2014
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2015 and 2014 budgetary activity appears in Note 4.

E. Deposits and Investments

The Village has interest-bearing checking and savings accounts.

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.

H. Fund Balance

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

Non-spendable - The Village classifies assets as *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**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 & 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. COMPLIANCE

Contrary to Ohio law, at December 31, 2015, the General Fund and FEMA Fund had cash deficit balances of \$22,286 and \$1,925, respectively. At December 31, 2014, the FEMA Fund had a cash deficit balance of \$1,925.

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

Contrary to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended was issued.

Contrary to Ohio Admin. Code Section 117-2-02(C)(1), the Village did not post appropriations and estimated resources to the accounting system.

4. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$125,687	\$69,774	(\$55,913)
Special Revenue	170,599	155,084	(15,515)
Capital Projects	5,400	30,707	25,307
Enterprise	384,365	404,405	20,040
Total	<u>\$686,051</u>	<u>\$659,970</u>	<u>(\$26,081)</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$120,812	\$100,883	\$19,929
Special Revenue	184,654	193,750	(9,096)
Capital Projects	24,000	24,000	0
Enterprise	244,100	406,159	(162,059)
Total	<u>\$573,566</u>	<u>\$724,792</u>	<u>(\$151,226)</u>

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 & 2014
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$34,525	\$39,580	\$5,055
Special Revenue	84,850	114,524	29,674
Capital Projects	10,500	10,725	225
Enterprise	366,220	970,609	604,389
Total	<u>\$496,095</u>	<u>\$1,135,438</u>	<u>\$639,343</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$38,435	\$99,755	(\$61,320)
Special Revenue	123,980	108,230	15,750
Capital Projects	24,100	24,000	100
Enterprise	290,310	941,039	(650,729)
Total	<u>\$476,825</u>	<u>\$1,173,024</u>	<u>(\$696,199)</u>

5. DEPOSITS AND INVESTMENTS

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

	<u>2015</u>	<u>2014</u>
Demand deposits	\$75,490	\$97,399
Other time deposits (savings and NOW accounts)	207,117	250,030
Total deposits	<u>\$282,607</u>	<u>\$347,429</u>

Deposits

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

6. TAXES

Property Taxes

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

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

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

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 & 2014
(Continued)**

7. INTERFUND BALANCES

Advances

Outstanding advances from the General Fund at December 31, 2015, consisted of \$55,590 advanced to the Street Fund and \$24,094 advanced to the Water Fund to provide working capital for operations or projects.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. DEFINED BENEFIT PENSION PLANS

A. 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, 2015.

B. Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

10. POST-EMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 & 2014
(Continued)**

11. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$89,969	0.00%
Sewer System Mortgage Revenue Bonds	202,290	4.25%
Issuers Sewer System	1,000,020	4.25%
Ohio Water Development Authority	31,820	3.92%
Fire Truck Loan	141,982	3.75%
Total	\$1,466,081	

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

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

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

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

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

Amortization

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

Year ending December 31:	OPWC	Sewer System Mortgage Revenue Bonds	Issuers Sewer System Bonds	OWDA	Fire Truck Loan
2016	\$13,842	\$12,081	\$59,591	\$2,236	\$18,412
2017	13,842	12,050	59,605	2,236	22,403
2018	13,842	12,057	59,596	2,236	22,403
2019	13,842	12,057	59,607	2,236	22,403
2020	13,841	12,083	59,593	2,236	22,403
2021-2025	20,760	60,297	298,000	11,179	56,008
2026-2030		60,302	297,996	11,179	
2031-2035		60,294	297,997	11,179	
2036-2040		60,296	298,006	2,236	
2040-2045		60,287	297,994		
Total	\$89,969	\$361,804	\$1,787,985	\$46,953	\$164,032

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

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

To the Mayor and Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of West Manchester, Preble County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated September 11, 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. We also noted the Village has a fund cash balance deficiency in the General Fund as of December 31, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-002, 2015-003 and 2015-007 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 2015-001 and 2015-004 through 2015-006.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 11, 2017

VILLAGE OF WEST MANCHESTER
PREBLE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 and 2014

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

FINDING NUMBER 2015-001

Noncompliance - Finding for Recovery – Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental entity should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

Forrest Leyes was employed by the Village as the Water and Sewer Plant Superintendent. He received various pay raises while employed at the Village which resulted in a biweekly pay rate of \$1,625.16 beginning in April 2010. The Village erroneously paid the employee a biweekly pay of \$1,632.97 from April 2010 through September 2016 which resulted in an overpayment of \$1,315.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Forrest Leyes in the amount of \$1,315, and in favor of the Village of West Manchester. The Finding was repaid under audit.

The Village should develop and implement policies to ensure pay increases are properly calculated and used in the calculation of gross wages.

FINDING NUMBER 2015-002

Material Weakness – Financial Statement Misstatements

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

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

- The 2014 beginning fund cash balances did not agree to the December 31, 2013 audited ending fund balances. We noted the following for 2014: the General Fund beginning balance was overstated by \$175; the Street Fund beginning balance was overstated by \$186; the Highway Fund beginning balance was understated by \$187; the Fire Fund beginning balance was understated by \$726; the Police Fund beginning balance was understated by \$1,290; the FEMA Fund beginning balance was overstated by \$1,950; the Water Fund beginning balance was understated by \$2,377; the Sewer Fund beginning balance was overstated by \$4,265; the Refuse Fund beginning balance was overstated by \$316; and the Utility Deposit Fund beginning balance was understated by \$2,312.

FINDING NUMBER 2015-002
(Continued)

- The 2015 beginning fund cash balances did not agree to the December 31, 2014 ending balances. We noted the following for 2015: the General Fund beginning balance was overstated by \$61,526; the Street Fund beginning balance was understated by \$830; the State Highway Fund beginning balance was understated by \$187; the Fire Fund beginning balance was understated by \$726; the Police Fund beginning balance was understated by \$1,290; the FEMA Fund beginning balance was overstated by \$1,950; the Street Light Fund beginning balance was understated by \$302; the Water Fund beginning balance was overstated by \$1,219; the Sewer Fund beginning balance was overstated by \$5,658; the Refuse Fund beginning balance was overstated by \$746; and the Utility Deposit Fund beginning balance was understated by \$4,835.
- During 2014, the Village recorded an Ohio Public Works Commission (OPWC) receipt in the amount of \$16,994 as Miscellaneous revenue instead of Intergovernmental revenue in the Water Fund.
- The Village failed to record on-behalf OPWC grant activity totaling \$244,133 and \$50,790 in 2014 and 2015, respectively (should have been recorded as Intergovernmental revenue and Capital Outlay expenditures in the Water Fund). The Village did not update its amended certificate of estimated resources or appropriate for these funds in accordance with Auditor of State Bulletin 2002-004.
- The Village failed to record on-behalf Community Development Block Grant (CDBG) grant activity totaling \$334,000 in 2014 (should have been recorded as Intergovernmental revenue and Capital Outlay expenditures in the Water Fund). The Village did not update its amended certificate of estimated resources or appropriate for these funds in accordance with Auditor of State Bulletin 2002-004.
- In 2014, the Village incorrectly posted intergovernmental revenues and special assessments for mowing at net to Property Taxes in the amount of \$17,721. Intergovernmental revenue was understated by \$19,190, Charges for Services were understated by \$262, and General Government expenditures were understated by \$1,731.
- The 2015 General Fund Advance In and the 2015 Street Fund Advance Out on the annual financial report were understated by \$18,954.
- In 2014 and 2015, Water Fund debt service payments were erroneously included with Contractual Services (these amounts were already separately recorded as debt service expenditures). This resulted in an overstatement of expenditures for \$16,077 each year.
- In 2015, General Fund Contractual Services was overstated by \$28,754 due to bank-to-bank transfers being included as expenditures.

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

- The Village posted Property Taxes in the General Fund at net instead of gross for 2015. Property Taxes and General Government expenditures were both understated by \$1,279.
- The Village posted special assessments for mowing in the General Fund at net instead of gross for 2014 and 2015. Charges for Services and General Government expenditures were both understated by \$37 and \$465 for 2014 and 2015, respectively.

FINDING NUMBER 2015-002
(Continued)

- The Village posted all of the auto registration receipts to the Street Fund in 2014 instead of allocating \$274 (7.5%) to the State Highway Fund.
- In 2015, General Fund special assessments for mowing were incorrectly posted at net to Property Taxes in the amount of \$1,081. Charges for Services were understated by \$1,546 and General Government expenditures were understated by \$465.
- The Village posted Street Light Fund special assessments as Property Taxes instead of Special Assessments in the Street Light Fund and posted the amounts at net instead of gross. For 2014, Special Assessments in the Street Light Fund were understated by \$6,314 and General Government expenditures were understated by \$302. For 2015, Special Assessments in the Street Light Fund were understated by \$7,157 and General Government expenditures were understated by \$364.
- The Village posted utility assessments as Property Taxes instead of Charges for Services for the Water, Sewer, and Refuse Funds in the amounts of \$1,201, \$4,730 and \$447, respectively, in 2015.
- In 2014, principal payments were overstated and interest payments were understated by \$272 in the Truck Reserve Fund.

Failure to review the Village's annual financial statements could result in materially misstated financial statements and misleading financial information. Failure to maintain complete accountability of public monies could increase the risk of misappropriation of assets occurring and going undetected in a timely manner. The Village should implement procedures to review its annual financial statements to ensure that any significant errors are identified and corrected.

The Village should consider switching to an automated accounting system for recording all revenue and disbursement transactions in order to aid in the preparation of the annual financial report. The Fiscal Officer should also create separate funds to track grant money by source and by project in order to maintain accountability for all funds. Any on-behalf disbursements should be recorded timely as a memo receipt and disbursement on the ledger.

FINDING NUMBER 2015-003

Material Weakness – Annual Financial Statements

The Village did not present accurate annual financial statements as evidenced by the Village's annual financial reports not agreeing to the end of year reconciled bank balances. In 2014, the Village's reconciled bank balance was \$349,225 and the adjusted book balance was \$347,429 for a variance of \$1,796 (the bank was higher than the book). In 2015, the Village's reconciled bank balance was \$284,440 and the adjusted book balance was \$282,607 for a variance of \$1,833 (the bank was higher than the book). In addition to the reconciling variances noted above, we noted the following annual financial statement errors:

- The annual financial reports for 2014 and 2015 did not properly foot and crossfoot.
- The Village double counted United States Department of Agriculture loan payments totaling \$71,650 in 2014 and \$71,666 in 2015 (the payments were reported as both operating cash disbursements and debt principal/interest).
- The Village double counted Ohio Public Works Commission and Ohio Water Development Authority loan payments totaling \$16,077 each year (the payments were reported as both operating cash disbursements and debt principal/interest).

**FINDING NUMBER 2015-003
 (Continued)**

- In 2014, the Fiscal Officer moved funds from the money market bank account to the general checking bank account and erroneously created a Money Market line item in the amount of \$61,438 to post this transfer.
- In 2015, the Fiscal Officer incorrectly recorded \$28,754 of bank-to-bank transfers as expenditures.
- In 2014, Transfers Out exceeded Transfers In by \$262.
- In 2014 and 2015, Proprietary Funds were included on both the Governmental Funds statement and the Proprietary statement.
- In 2014, the beginning fund balance for most funds did not agree to the ending fund balances in the 2013 audited financial statements (see Finding 2015-002).

We noted the 2014 and 2015 utility subsidiary reports were \$791 and \$1,138, respectively, less than the utility revenue amounts reported on the annual financial reports.

We also noted the 2014 and 2015 payroll ledgers were \$733 less than and \$1,667 greater than the fund ledgers respectively.

Failure to maintain complete accountability of public monies could result in inaccurate financial statements and could increase the risk of misappropriation of assets occurring and going undetected in a timely manner. All transactions should be accurately posted in the accounting system. The Village should consider switching to an automated accounting system for recording all revenue and disbursement transactions in order to aid in the preparation of the annual financial report. The Village should use due care when compiling the annual financial statements. The Fiscal Officer should also utilize the Village Officers' Handbook for guidance in posting financial activity.

FINDING NUMBER 2015-004

Noncompliance – Negative Fund Balances

Ohio Rev. Code § 5705.10(I) states that monies paid into any fund shall be used only for the purpose for which such fund is established. The existence of a deficit balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance. After audit adjustments the Village ended December 31, 2015 and 2014 with negative fund balances in the following funds:

FUND	MONTH END	FUND BALANCE
FEMA Fund	December 2014	\$(1,925)
General Fund	December 2015	\$(22,286)
FEMA	December 2015	\$(1,925)

A negative General Fund balance may result in the Village being placed in fiscal distress. The Village should monitor fund balances to ensure that expenditures are made within appropriated levels of available funds and if negative fund balances are anticipated, the Council should make an approved transfer or advance of funds to cover the necessary expenditure.

FINDING NUMBER 2015-005

Noncompliance - Budgetary Information in the Accounting System

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

**FINDING NUMBER 2015-005
 (Continued)**

The Village did not post appropriations and estimated resources to its manual accounting system fund disbursement and receipt reports.

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

FINDING NUMBER 2015-006

Noncompliance – Expenditures Exceeding Appropriations

Ohio Rev. Code § 5705.41(B) states, in part, that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

The following funds had disbursements and encumbrances in excess of appropriations at the fund level at December 31, 2015 and 2014, respectively:

2015	Total Appropriations	Total Actual Expenditures	Variance
Sewer Fund	\$55,550	\$66,386	\$(10,836)
Water Fund	\$72,200	\$136,549	\$(64,349)

2014	Total Appropriations	Total Actual Expenditures	Variance
Water Fund	\$107,710	\$684,772	\$(577,062)

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and result in negative fund balances.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2015-007

Material Weakness – GASB 54

When designing the public office’s system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data. The Village did not accurately apply Governmental Accounting Standards Board (GASB) Statement number 54 when classifying December 31, 2015 and 2014 fund balances. These misclassifications resulted in material errors in the financial statements and audit adjustments were required to accurately report the financial activity:

2014 General Fund

Ending Unassigned Fund Balance was understated by \$8,823
 Ending Restricted Fund Balance was overstated by \$8,823

**FINDING NUMBER 2015-007
(Continued)**

2015 General Fund

Ending Unassigned Fund Balance was overstated by \$22,286

Ending Restricted Fund Balance was understated by \$22,286

We also noted the Village has not established a fund balance policy.

Adjustments to correct the errors above are reflected in the accompanying financial statements. When fund balances are not accurately classified and a fund balance policy has not been established, Village officials and management do not have accurate information as to the amount of fund balances that are restricted or committed for specific purposes. The Village should develop and implement procedures to ensure accurate accounting for year-end fund balances as well as establish a fund balance policy that defines whether the Village considers restricted or unrestricted funds to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. The Village should also review Auditor of State Bulletin 2011-004 for guidelines in classifying fund balances in accordance with GASB Statement number 54.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF WEST MANCHESTER
PREBLE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Ohio Rev. Code Section 5705.41(B), budgetary expenditures exceeded appropriations. Finding initially appeared as Finding 2009-005.	Not Corrected	Reissued as Finding 2015-006 The Fiscal Officer will provide monthly documentation to Council and the BPA President to review expenditures and current appropriations. This approval will be completed with signed documentation of Council.
2013-002	Lack of management oversight in posting financial activity. Finding initially appeared as Finding 1999-30368-004.	Not Corrected	Reissued as Finding 2015-002 The Fiscal Officer will provide all monthly financial information to Council and the BPA President for review. A Budget Packet Record document will be signed by Council and the BPA President.

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VILLAGE OF WEST MANCHESTER

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 24, 2017