



**VILLAGE OF WEST ALEXANDRIA
PREBLE COUNTY**

NON-GAGAS ENGAGEMENT

FOR THE YEARS ENDED DECEMBER 31, 2018-2017

VILLAGE OF WEST ALEXANDRIA
PREBLE COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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Report on the Financial Statements, Internal Control, and Compliance

Village of West Alexandria
Preble County
1 Water Street
West Alexandria, Ohio 45381

To the Village Council:

We have selectively tested certain accounts, financial records, reports and other documentation of the Village of West Alexandria, Preble County, (the Village), as of and for the years ended December 31, 2018 and 2017. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency 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, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2018-009 through 2018-018 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as item 2018-001 through 2018-008 and 2018-019.

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

Keith Faber
Auditor of State
Columbus, Ohio

December 11, 2020

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$98,970	\$52,720	\$151,690
Municipal Income Tax	300,870	0	300,870
Intergovernmental	59,161	159,481	218,642
Special Assessments	0	31,088	31,088
Charges for Services	0	387,113	387,113
Fines, Licenses and Permits	35,593	751	36,344
Earnings on Investments	2,621	72	2,693
Miscellaneous	100	436	536
<i>Total Cash Receipts</i>	<u>497,315</u>	<u>631,661</u>	<u>1,128,976</u>
Cash Disbursements			
Current:			
Security of Persons and Property	246,519	417,966	664,485
Public Health Services	2,279	0	2,279
Leisure Time Activities	1,253	0	1,253
Community Environment	5,654	0	5,654
Basic Utility Services	0	719	719
Transportation	0	76,875	76,875
General Government	192,859	4,248	197,107
Capital Outlay	0	57,006	57,006
Debt Service:			
Principal Retirement	0	26,800	26,800
Interest and Fiscal Charges	0	849	849
<i>Total Cash Disbursements</i>	<u>448,564</u>	<u>584,463</u>	<u>1,033,027</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>48,751</u>	<u>47,198</u>	<u>95,949</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	0	338	338
Loan Proceeds	0	11,649	11,649
Transfers In	0	67,750	67,750
Transfers Out	(67,750)	0	(67,750)
Other Financing Sources	38,134	0	38,134
Other Financing Uses	0	(4,000)	(4,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(29,616)</u>	<u>75,737</u>	<u>46,121</u>
<i>Net Change in Fund Cash Balances</i>	19,135	122,935	142,070
<i>Fund Cash Balances, January 1</i>	<u>503,293</u>	<u>666,903</u>	<u>1,170,196</u>
Fund Cash Balances, December 31			
Restricted	0	789,838	789,838
Assigned	211,810	0	211,810
Unassigned (Deficit)	310,618	0	310,618
<i>Fund Cash Balances, December 31</i>	<u>\$522,428</u>	<u>\$789,838</u>	<u>\$1,312,266</u>

See accompanying notes to the basic financial statements.

Village of West Alexandria, Ohio

Preble County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*

All Proprietary and Fiduciary Fund Types

For the Year Ended December 31, 2018

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$809,357	\$0	\$809,357
Fines, Licenses and Permits	1,800	43,800	45,600
Miscellaneous	3,338	0	3,338
<i>Total Operating Cash Receipts</i>	<u>814,495</u>	<u>43,800</u>	<u>858,295</u>
Operating Cash Disbursements			
Personal Services	176,306	0	176,306
Contractual Services	835,821	45,926	881,747
Supplies and Materials	81,516	0	81,516
<i>Total Operating Cash Disbursements</i>	<u>1,093,643</u>	<u>45,926</u>	<u>1,139,569</u>
<i>Operating Income (Loss)</i>	<u>(279,148)</u>	<u>(2,126)</u>	<u>(281,274)</u>
Non-Operating Receipts (Disbursements)			
Sale of Capital Assets	731	0	731
Capital Outlay	(41,720)	0	(41,720)
Principal Retirement	(101,949)	0	(101,949)
Interest and Other Fiscal Charges	(20,103)	0	(20,103)
Other Financing Sources	0	131,648	131,648
Other Financing Uses	0	(130,930)	(130,930)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(163,041)</u>	<u>718</u>	<u>(162,323)</u>
<i>Net Change in Fund Cash Balances</i>	(442,189)	(1,408)	(443,597)
<i>Fund Cash Balances, January 1</i>	<u>1,325,707</u>	<u>27,209</u>	<u>1,352,916</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$883,518</u></u>	<u><u>\$25,801</u></u>	<u><u>\$909,319</u></u>

See accompanying notes to the basic financial statements.

Village of West Alexandria, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of West Alexandria (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 and sewer utilities, park operations, and police, fire, and ambulance services. The Village also provides fire and ambulance service contractually to Lanier and Twin Townships in Preble County.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Ambulance Operating Fund This fund receives money from contracts with other entities for services and the individuals using the ambulance services. Expenditures are maintaining and operating the Village emergency squad.

Ambulance Reserve Fund This fund receives money from contracts with other entities for services and Village income taxes. Expenditures are for the purchase of a new ambulance vehicle.

Fire Operating Fund This fund receives money from contracts with other entities for services and Village income taxes. Expenditures are for maintaining and operating the Village fire department.

Village of West Alexandria, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

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

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

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

Sanitation Fund This fund receives charges for services from residents to cover sanitation service costs.

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

Agency/Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's agency/custodial funds account for ambulance billing activity and mayor's court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

Village of West Alexandria, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Deposits

The Village values certificates of deposit at cost.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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.

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.

Village of West Alexandria, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 3 – 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	\$538,920	\$535,449	(\$3,471)
Special Revenue	647,140	711,398	64,258
Enterprise	768,000	815,226	47,226
Fiduciary	150,000	175,448	25,448
Total	\$2,104,060	\$2,237,521	\$133,461

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$987,190	\$528,292	\$458,898
Special Revenue	1,090,429	594,800	495,629
Enterprise	2,003,741	1,330,251	673,490
Fiduciary	155,000	176,856	(21,856)
Total	\$4,236,360	\$2,630,199	\$1,606,161

Note 4 – Deposits and Investments

The Village maintains a deposits 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:

	2018
Demand deposits	\$2,029,052
Certificates of deposit	192,333
Total Deposits	2,221,385
Cash on hand	200
Total Deposits and Cash on hand	\$2,221,585

Deposits

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

Village of West Alexandria, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 5 – Taxes

Property Taxes

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

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

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

Income Taxes

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Village of West Alexandria, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Social Security

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

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

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Village of West Alexandria, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 9 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #4419	\$675,019	2.75%
Ohio Public Works Commission Loan (CK24C)	7,554	0.00%
Ohio Public Works Commission Loan (CK09E)	129,057	0.00%
Ohio Public Works Commission Loan (CK12G)	109,912	0.00%
Promissory Note	11,499	3.25%
Total	\$933,041	

Ohio Water Development Authority (OWDA) Loan #4419 for \$2,718,795 was obtained in 2005 for water treatment plant improvements. The loan is being repaid in semi-annual installments of \$47,288 over 20 years. The first payment was due July 1, 2007. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village was awarded \$33,575 by the Ohio Public Works Commission (OPWC) on July 7, 1999, for the Lanier waterline and booster pump project (CK24C). The loan is being repaid in semi-annual installments of \$839 over 20 years. The first payment was due January 1, 2004. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Village was awarded \$271,700 by the Ohio Public Works Commission (OPWC) on July 1, 2001, for the Lanier waterline and booster pump project (CK09E). The loan is being repaid in semi-annual installments of \$6,792 over a period of 20 years. The first payment was due January 1, 2009. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Village was awarded \$244,250 by the Ohio Public Works Commission (OPWC) on July 1, 2003, for water treatment plant improvements (CK12G). The loan is being repaid in semi-annual installments of \$6,106 over a period of 20 years. The first payment was due July 1, 2008. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Village took out a promissory note in the amount of \$41,162 in August of 2016 to purchase self-contained breathing apparatus equipment for the Fire Department. The note was renewed in August 2017. The note was renewed again in August 2018 in the amount of \$11,499. A payment of principal and interest of \$11,873 is due in August 2019.

Village of West Alexandria, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Amortization

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

Year Ending December 31:	OWDA Loan #4419	OPWC CK24C	OPWC CK09E	OPWC CK12G	Promissory Note
2019	\$94,575	\$1,679	\$13,585	\$12,213	\$11,873
2020	94,575	1,679	13,585	12,213	
2021	94,575	1,679	13,585	12,213	
2022	94,575	1,679	13,585	12,213	
2023	94,575	838	13,585	12,213	
2024-2028	331,014		61,132	48,847	
Total	<u>\$803,889</u>	<u>\$7,554</u>	<u>\$129,057</u>	<u>\$109,912</u>	<u>\$11,873</u>

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, (if significant federal grants were received continue this sentence with the following) principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Subsequent Events

The United States 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 may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

In 2019 the Village began a wastewater treatment plant replacement project for \$8.4 million. The project will be funded by \$4,870,000 of sewer system revenue bonds, an EPA loan for \$1,550,000, federal grant monies, and local funds.

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$98,461	\$53,530	\$151,991
Municipal Income Tax	329,784	0	329,784
Intergovernmental	54,556	122,327	176,883
Special Assessments	0	31,125	31,125
Charges for Services	0	378,054	378,054
Fines, Licenses and Permits	22,390	51	22,441
Earnings on Investments	1,894	43	1,937
Miscellaneous	0	901	901
<i>Total Cash Receipts</i>	<u>507,085</u>	<u>586,031</u>	<u>1,093,116</u>
Cash Disbursements			
Current:			
Security of Persons and Property	232,946	287,344	520,290
Public Health Services	2,301	300	2,601
Leisure Time Activities	385	0	385
Community Environment	5,110	0	5,110
Transportation	0	77,725	77,725
General Government	172,077	4,674	176,751
Capital Outlay	0	41,171	41,171
Debt Service:			
Principal Retirement	0	16,000	16,000
Interest and Fiscal Charges	0	26,650	26,650
<i>Total Cash Disbursements</i>	<u>412,819</u>	<u>453,864</u>	<u>866,683</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>94,266</u>	<u>132,167</u>	<u>226,433</u>
Other Financing Receipts (Disbursements)			
Loan Proceeds	0	26,650	26,650
Transfers In	0	67,750	67,750
Transfers Out	(67,750)	0	(67,750)
Other Financing Sources	31,452	0	31,452
Other Financing Uses	(7,544)	(4,000)	(11,544)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(43,842)</u>	<u>90,400</u>	<u>46,558</u>
<i>Net Change in Fund Cash Balances</i>	50,424	222,567	272,991
<i>Fund Cash Balances, January 1</i>	<u>452,869</u>	<u>444,336</u>	<u>897,205</u>
Fund Cash Balances, December 31			
Restricted	0	666,903	666,903
Assigned	167,880	0	167,880
Unassigned (Deficit)	335,413	0	335,413
<i>Fund Cash Balances, December 31</i>	<u>\$503,293</u>	<u>\$666,903</u>	<u>\$1,170,196</u>

See accompanying notes to the basic financial statements.

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$815,062	\$0	\$815,062
Fines, Licenses and Permits	5,000	27,444	32,444
Miscellaneous	8,910	0	8,910
<i>Total Operating Cash Receipts</i>	<u>828,972</u>	<u>27,444</u>	<u>856,416</u>
Operating Cash Disbursements			
Personal Services	309,058	0	309,058
Transportation	3,466	0	3,466
Contractual Services	305,229	22,270	327,499
Supplies and Materials	67,837	0	67,837
<i>Total Operating Cash Disbursements</i>	<u>685,590</u>	<u>22,270</u>	<u>707,860</u>
<i>Operating Income (Loss)</i>	<u>143,382</u>	<u>5,174</u>	<u>148,556</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(99,943)	0	(99,943)
Interest and Other Fiscal Charges	(22,109)	0	(22,109)
Other Financing Sources	0	125,125	125,125
Other Financing Uses	0	(118,649)	(118,649)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(122,052)</u>	<u>6,476</u>	<u>(115,576)</u>
<i>Net Change in Fund Cash Balances</i>	21,330	11,650	32,980
<i>Fund Cash Balances, January 1</i>	<u>1,304,377</u>	<u>15,559</u>	<u>1,319,936</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,325,707</u>	<u>\$27,209</u>	<u>\$1,352,916</u>

See accompanying notes to the basic financial statements.

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

Note 1 – Reporting Entity

The Village of West Alexandria (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 and sewer utilities, park operations, and police, fire, and ambulance services. The Village also provides fire and ambulance service contractually to Lanier and Twin Townships in Preble County.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Ambulance Operating Fund This fund receives money from contracts with other entities for services and the individuals using the ambulance services. Expenditures are maintaining and operating the Village emergency squad.

Ambulance Reserve Fund This fund receives money from contracts with other entities for services and Village income taxes. Expenditures are for the purchase of a new ambulance vehicle.

Fire Operating Fund This fund receives money from contracts with other entities for services and Village income taxes. Expenditures are for maintaining and operating the Village fire department.

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

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

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

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

Sanitation Fund This fund receives charges for services from residents to cover sanitation service costs.

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

Agency/Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's agency/custodial funds account for ambulance billing activity and mayor's court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

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

Deposits

The Village values certificates of deposit at cost.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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.

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.

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

Note 3 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$495,200	\$538,537	\$43,337
Special Revenue	589,016	680,431	91,415
Enterprise	747,000	828,972	81,972
Fiduciary	180,000	152,569	(27,431)
Total	\$2,011,216	\$2,200,509	\$189,293

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$834,938	\$508,504	\$326,434
Special Revenue	920,330	494,011	426,319
Enterprise	1,933,335	845,610	1,087,725
Fiduciary	185,000	140,919	44,081
Total	\$3,873,603	\$1,989,044	\$1,884,559

Note 4 – Deposits and Investments

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

	2017
Demand deposits	\$2,330,579
Certificates of deposit	192,333
Total Deposits	2,522,912
Cash on hand	200
Total Deposits and Cash on hand	\$2,523,112

Deposits

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

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

Note 5 – Taxes

Property Taxes

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

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

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

Income Taxes

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

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

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

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

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

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #4419	\$749,492	2.75%
Ohio Public Works Commission Loan (CK24C)	9,233	0.00%
Ohio Public Works Commission Loan (CK09E)	142,643	0.00%
Ohio Public Works Commission Loan (CK12G)	122,125	0.00%
Promissory Note	26,500	3.25%
Total	\$1,049,993	

Ohio Water Development Authority (OWDA) Loan #4419 for \$2,718,795 was obtained in 2005 for water treatment plant improvements. The loan is being repaid in semi-annual installments of \$47,288 over 20 years. The first payment was due July 1, 2007. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village was awarded \$33,575 by the Ohio Public Works Commission (OPWC) on July 7, 1999, for the Lanier waterline and booster pump project (CK24C). The loan is being repaid in semi-annual installments of \$839 over 20 years. The first payment was due January 1, 2004. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Village was awarded \$271,700 by the Ohio Public Works Commission (OPWC) on July 1, 2001, for the Lanier waterline and booster pump project (CK09E). The loan is being repaid in semi-annual installments of \$6,792 over a period of 20 years. The first payment was due January 1, 2009. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Village was awarded \$244,250 by the Ohio Public Works Commission (OPWC) on July 1, 2003, for water treatment plant improvements (CK12G). The loan is being repaid in semi-annual installments of \$6,106 over a period of 20 years. The first payment was due July 1, 2008. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Village took out a promissory note in the amount of \$41,162 in August of 2016 to purchase self-contained breathing apparatus equipment for the Fire Department. A principal payment in the amount of \$41,162 was made on August 22, 2017. A new promissory note was taken out in the amount of \$26,500 during 2017. A payment of principal and interest of \$27,649 is due in August 2018.

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

Amortization

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

Year Ending December 31:	OWDA Loan #4419	OPWC CK24C	OPWC CK09E	OPWC CK12G	Promissory Note
2018	\$94,575	\$1,679	\$13,585	\$12,213	\$27,649
2019	94,575	1,679	13,585	12,213	
2020	94,575	1,679	13,585	12,213	
2021	94,575	1,679	13,585	12,213	
2022	94,575	1,679	13,585	12,213	
2023-2027	425,589	838	67,925	61,060	
2028			6,793		
Total	<u>\$898,464</u>	<u>\$9,233</u>	<u>\$142,643</u>	<u>\$122,125</u>	<u>\$27,649</u>

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, (if significant federal grants were received continue this sentence with the following) principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Outstanding Commitments

At December 31, 2017, the Special Revenue Funds had outstanding encumbrances of \$36,147.

Note 12 – Subsequent Events

The United States 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 may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

In 2019 the Village began a wastewater treatment plant replacement project for \$8.4 million. The project will be funded by \$4,870,000 of sewer system revenue bonds, an EPA loan for \$1,550,000, federal grant monies, and local funds.

**VILLAGE OF WEST ALEXANDRIA
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

1. Destruction of Records - Noncompliance

FINDING NUMBER 2018-001

Ohio Rev. Code Section 149.351(A), states, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully.

The following items were not provided by the Village:

- An original credit card receipt for a purchase from Micro Center in 2018. Only a photo copy was provided.
- An original detailed receipt for a purchase from Walmart in 2018. However, the credit card statement included a detailed listing of the items purchased.
- Billing journals containing the previous and current utility usage readings for 2018.
- A voucher containing one credit card statement in 2018 needed to determine if late fees, penalties or interest charges were incurred.

The Village should implement procedures so that all records are maintained and are only removed or destroyed in accordance with the Village's record retention schedule. Failure to retain these required public records may result in an incomplete audit trail, create potential problems for future management decisions, and may result in findings for recovery in future audits. Original detail receipts should be maintained for all credit card purchases.

Officials' Response:

Officials did not provide a response to this finding.

2. Record of Minutes - Noncompliance

FINDING NUMBER 2018-002

Ohio Rev. Code Section 121.22 (C) states that "the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection."

The following was noted:

- Minutes of Village Council for the July 16, 2018 and the September 11, 2018 meetings could not be located.
- The Council meeting minutes for the March 8, 2018, November 6, 2018 and December 10, 2018 were not signed by the Clerk or Mayor.
- The Council meeting minutes for the April 16, 2018 were not signed by the Clerk.
- With the exception of the February 26, 2018, April 16, 2018, April 25, 2018, November 6, 2018 and the December 10, 2018 meetings, the 2018 minutes were not signed until May 10, 2020.
- Council was not provided the prior month's financial reports for review and approval seven times during 2018.

There was no evidence the August 20, 2018 minutes were reviewed and approved at the subsequent meeting.

**FI NUMBER 2018-002
(Continued)**

The minutes serve as public record of discussion and actions/positions of the Village. Failure to maintain proper minute records may result in noncompliance with the Sunshine Laws. Failure to review and approve the minutes and financial reports may result in the misappropriation of assets and potentially fraud.

The Village should prepare and maintain minutes for all Village Council meetings. All minutes should be timely signed. All discussions and actions taken by Council should be documented in the minute record.

Officials' Response:

Officials did not provide a response to this finding.

3. Annual Continuing Education for Treasurers - Noncompliance

FINDING NUMBER 2018-003

Ohio Rev. Code Section 135.22 (B) states, in part, a treasurer annually shall complete the continuing education programs described in this section, unless the treasurer annually provides a notice of exemption described in division (E) of this section.

Per Ohio Rev. Code Section 135.22 (E), Division (B) of this section does not apply to any treasurer who annually provides a notice of exemption to the auditor of state. The notice shall be certified by the treasurer of state and shall provide that the treasurer is not subject to the continuing education requirements set forth in division (B) of this section, because the treasurer invests or deposits public moneys in the following investments only: (1) Interim deposits pursuant to division (B)(3) of section 135.14 or section 135.145 of the Revised Code; (2) No-load money market mutual funds pursuant to division (B)(5) of section 135.14 of the Revised Code; (3) The Ohio subdivision's fund pursuant to division (B)(6) of section 135.14 of the Revised Code.

The Village only invested in interim deposits during the audit period. However, the Clerk-Treasurer did not file a CPIM training exemption in 2017. Failure to file a training exemption could result in improper compliance with training requirements. The Village should verify that the Clerk-Treasurer submits a CPIM training exemption with the Auditor of State's Office each year, as applicable.

Officials' Response:

Officials did not provide a response to this finding.

4. Appropriations Exceeding Estimated Resources - Noncompliance

FINDING NUMBER 2018-004

Ohio Rev. Code Section 5705.39 states, in part, total appropriations from each fund shall not exceed the total estimated revenue available for expenditure therefrom, as certified by the budget commission. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

**FINDING NUMBER 2018-004
 (Continued)**

At December 31, 2017 total appropriations exceeded estimated resources as follows:

Fund	Appropriations	Estimated Resources	Variance
General	\$496,199	\$495,200	(\$999)
Fire Operating	\$193,095	\$192,095	(\$1,000)

At December 31, 2018 total appropriations exceeded estimated resources as follows:

Fund	Appropriations	Estimated Resources	Variance
General	\$586,800	\$548,920	(\$37,880)

Failure to enact appropriation measures that are limited by estimated resources for each fund could lead to deficit spending. The Village should implement procedures to verify that appropriations do not exceed estimated resources.

Officials' Response:

Officials did not provide a response to this finding.

5. Records Retention Schedule - Noncompliance

FINDING NUMBER 2018-005

Ohio Rev. Code Section 149.43(B)(2) states that to facilitate broader access to public records, a public office or the person responsible for public records "shall organize and maintain public records in a manner that they can be made available for inspection or copying in accordance with division (B) of this section. A public office also shall have available a copy of its current records retention schedule at a location readily available to the public." Ohio Rev. Code Section 149.43(E)(2) states that "all public offices shall adopt a public records policy in compliance with this section for responding to public records requests."

The Village did not have a formal records retention policy or records retention schedule in place during the audit period. The Village's informal policy was to retain all records. Failure to implement a records retention policy could lead to the disposal of records that are required to be maintained. The Village should implement a records retention policy and records retention schedule.

Officials' Response:

Officials did not provide a response to this finding.

6. Capital Assets - Noncompliance

FINDING NUMBER 2018-006

Ohio Admin. Code Section 117-2-02(D)(4)(c) states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

**FINDING NUMBER 2018-006
(Continued)**

Ohio Admin Code Section 117-2-02(E) states that each local public office should establish a capitalization threshold so that, at a minimum, eighty percent of the local public office's non-infrastructure assets are identified, classified, and recorded on the local public office's financial records.

The Village did not establish a capital asset policy, including a capitalization threshold, for its capital assets, nor did it maintain any detailed records with regard to capital assets that the Village had purchased.

The Village should adopt a capital asset policy that establishes a capitalization threshold, useful lives, methods of depreciation, etc. and should maintain an adequate and detailed record of capital assets owned by the Village, as stipulated above. Failure to do so could result in improper accounting for capital assets.

Officials' Response:

Officials did not provide a response to this finding.

7. Super Blanket Purchase Orders - Noncompliance

FINDING NUMBER 2018-007

Ohio Rev. Code Section 5705.41(D)(3) states, in part, that fiscal officers may prepare "blanket" certificates for a certain sum of money not to exceed an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

We noted one instance where the Village utilized a super blanket purchase order (#19551) during fiscal year 2018 for which the certification extended beyond the December 31 fiscal year-end. The purchase order was not closed until January 13, 2019.

The Village should establish and implement procedures to verify that all super blanket purchase orders are closed at fiscal year-end. Failure to close super blanket purchase orders at year end may lead to accounting of expenditures in an improper accounting period.

Officials' Response:

Officials did not provide a response to this finding.

8. Untimely Deposits - Noncompliance

FINDING NUMBER 2018-008

Ohio Rev. Code Section 9.38 states that a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

Two of seventeen Mayor's Court receipts tested in 2017 were not deposited timely.

Failure to deposit receipts timely may result in unrecorded revenues, bank reconciling errors and inaccurate financial statements. The Village should follow their policy and procedures to ensure that receipts are deposited promptly to prevent the loss of those funds through theft or misplacement, as well as to maximize interest earnings for the Village.

Officials' Response:

Officials did not provide a response to this finding.

9. Cash Reconciliation – Internal Control Deficiency

FINDING NUMBER 2018-009

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Clerk-Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council is responsible for reviewing the reconciliations and related support.

Beginning in 2018 monthly bank to book reconciliations were not prepared or reviewed each month. The Village hired Auditor of State Local Government Services to reconcile the Village's records with the bank for the audit period. At December 31, 2018, the Village's reconciled bank balance exceeded the adjusted book balance by \$17,286. Failure to reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

**FINDING NUMBER 2018-009
(Continued)**

The Clerk-Treasurer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document those reviews.

Officials' Response:

Officials did not provide a response to this finding.

10. Financial Statement Misstatements – Internal Control Deficiency

FINDING NUMBER 2018-010

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Village's financial statements contained the following errors, which were deemed material and resulted in adjustments to the financial statements and the accounting system (as applicable):

- Governmental Accounting Standards Board (GASB) Statement 54, paragraph 16 (GASB Codification 1800.176) and Auditor of State Bulletin 2011-004 state, in part, that when the appropriation measure is adopted for the subsequent year, and those appropriations exceed estimated receipts, the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable only to the General Fund, as it is the only fund with a positive unassigned fund balance. The Village failed to properly classify the amount by which appropriations exceeded estimated receipts for the subsequent fiscal year in the amount of \$167,880 for 2017 and \$211,810 for 2018. These amounts should have been classified as assigned fund balance rather than unassigned fund balance in the General Fund.
- Each year the Village Council authorizes transfers of income taxes from the General Fund to other funds as applicable. However, those transfers were incorrectly recorded in the accounting system as follows:
 - In both 2017 and 2018, the Village understated General Fund Transfers Out by \$67,750, overstated Other Financing Sources by \$175,000, and overstated General Government expenditures by \$242,750. Other Financing Sources in the Special Revenue Funds were overstated by \$67,750 and Transfers In were understated by \$67,750.
- The Village has a Law Enforcement Trust Fund bank account. However, the activity from this bank account was not included in the Village's accounting system or annual financial reports. In 2017, the Village failed to record the following activity: Beginning Fund Balance of \$16,852, Fines, Licenses and Permits of \$1, Security of Persons and Property expenditures of \$3,721, and Ending Fund Balance of \$13,132. In 2018, the Village failed to record the following activity: Beginning Fund Balance of \$13,132, Fines, Licenses and Permits of \$751, Security of Persons and Property expenditures of \$1,903, and Ending Fund Balance of \$11,980.

FINDING NUMBER 2018-010
(Continued)

- The Village implemented Mayor's Court in 2017 and has a Mayor's Court bank account. However, the activity from this bank account was not included in the Village's accounting system or annual financial reports. In 2017, the Village failed to record the following activity: Fines, Licenses and Permits of \$27,444, Contractual Services expenditures of \$22,270 and Ending Fund Balance of \$5,174. In 2018, the Village failed to record the following activity: Fines, Licenses and Permits of \$43,800, Contractual Services expenditures of \$45,926, and Ending Fund Balance of \$2,126.
- In 2017 and 2018, OWDA debt service principal and interest payments were posted solely to redemption of principal resulting in Redemption of Principal being overstated and Interest Charges being understated by \$22,109 and \$20,103, respectively, in the Water Fund.
- In 2017 the Village renewed a promissory note. However, the Village incorrectly posted the renewal transactions to the Fire Truck Reserve Fund rather than the Fire Fund. As such, Loan Proceeds and Redemption of Principal were both overstated by \$26,650 in the Fire Truck Reserve Fund and Loan Proceeds and Redemption of Principal were both understated by \$26,650 in the Fire Truck Fund.
- In 2018, the Village failed to post the renewal of a promissory note resulting in Loan Proceeds and Redemption of Principal both being understated by \$11,649 in the Fire Fund.
- In 2018, a debt service payment of \$849 in the Fire Fund was incorrectly posted as Redemption of Principal rather than Interest Charges.
- Per Ohio Rev. Code Section 5705.09 a special fund shall be established for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Additionally, 1962 OAG 2997 states "revenue derived from a special tax levy pursuant to Ohio Rev. Code Section 5705.191 may not be paid into the general fund to reimburse such fund, but must be credited to a special fund for the purpose for which such levy was made." In 2016 the voters passed a fire levy for the Village. However, the Village recorded the tax revenues collected and corresponding expenditures in the General Fund rather than a separate Special Revenue Fund. As such, revenues, expenditures, and ending fund balance were over/understated in the General Fund and Fire Fund as follows:
 - For the year ended December 31, 2017, General Fund Property Taxes and Intergovernmental Revenues were overstated by \$53,530 and \$2,685, respectively; Security of Persons and Property expenditures and General Government expenditures were overstated by \$7,660 and \$1,321, respectively; and ending fund balance was overstated by \$47,234. Fire Fund Property Taxes, Intergovernmental Revenues, Security of Persons and Property expenditures, General Government expenditures, and ending fund balance were all understated by the same amounts as noted above.
 - For the year ended December 31, 2018, General Fund Property Taxes and Intergovernmental Revenues were overstated by \$52,720 and \$2,435, respectively; Security of Persons and Property expenditures and General Government expenditures were overstated by \$12,042 and \$1,150, respectively; and ending fund balance was overstated by \$41,963. Fire Fund Property Taxes, Intergovernmental Revenues, Security of Persons and Property expenditures, General Government expenditures, and ending fund balance were all understated by the same amounts as noted above.

The failure to correctly classify fund balances and financial activity on financial statements and post financial activity to the accounting system may impact the user's understanding of the financial operations, the Council's ability to make sound financial decisions, and result in the material misstatement of the financial statements. Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts. The Village should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted correctly.

**FINDING NUMBER 2018-010
(Continued)**

The errors identified should be reviewed by Council to help prevent similar errors in subsequent years. In addition, governmental accounting resources such as those found on the Auditor of State website at <https://ohioauditor.gov/> should be reviewed for guidance in the classification of fund balances. In addition to the monthly review of financial reports, Council should consider a detailed review of the accounting records and the year-end financial statements to help identify and correct errors in a timely manner.

Officials' Response:

Officials did not provide a response to this finding.

11. Review of EMS Reports – Internal Control Deficiency

FINDING NUMBER 2018-011

The Village received monthly EMS Summary Reports from Change Healthcare. We noted unexplained variances between the monthly amounts deposited in the bank and recorded in the accounting system and the Change Healthcare Reports for 2018. The total amount deposited in the bank and recorded in the accounting system exceeded the total amount indicated by the monthly Change Healthcare Reports.

Failure to properly review and record transactions processed by Change Healthcare may result in inaccurate payments received and inaccurate financial statements. To improve internal controls we recommend that the Village document their review of the monthly receipt reports received from Change Healthcare for accuracy. The monthly Summary reports should also be compared to the revenue ledger to ensure that all the information is accurate and complete. All variances should be investigated and the results should be documented.

Officials' Response:

Officials did not provide a response to this finding.

12. Posting Budgetary Data in the Accounting System – Internal Control Deficiency

FINDING NUMBER 2018-012

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending. The original certificate of estimated resources and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available. It is therefore necessary the amounts appropriated by the Council and the estimated receipts are precisely stated and accurately posted to the appropriation and receipts ledgers.

**FINDING NUMBER 2018-012
(Continued)**

At December 31, 2018:

- Estimated resources per the amended certificate of estimated resources for the Street Construction Maintenance Repair Fund totaled \$123,609; total estimated receipts posted to the accounting system was \$70,000. This resulted in a variance of \$53,609.
- Estimated resources per the amended certificate of estimated resources for the Ambulance Operating Fund totaled \$268,001; total estimated resources posted to the accounting system was \$259,671. This resulted in a variance of \$8,330.
- Estimated resources per the amended certificate of estimated resources for the Fire Operating Fund totaled \$134,281; total estimated resources posted to the accounting system was \$128,256. This resulted in a variance of \$6,025.
- Total General Fund appropriations approved by Council were \$586,800; the total appropriations posted to the accounting system was \$566,799. This resulted in a variance of \$20,001.
- Total Ambulance Operating Fund appropriations approved by Council were \$328,011; the total appropriations posted to the accounting system was \$318,011. This resulted in a variance of \$10,000.
- Total Fire Operating Fund appropriations approved by Council were \$164,281; the total appropriations posted to the accounting system was \$166,201. This resulted in a variance of (\$1,920).
- Total Water Fund appropriations approved by Council were \$375,773; the total appropriations posted to the accounting system was \$398,000. This resulted in a variance of (\$22,227).

At December 31, 2017:

- Estimated resources per the amended certificate of estimated resources for the General Fund totaled \$375,200; total estimated resources posted to the accounting system was \$366,200. This is a variance of \$9,000.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) and Certificate of Estimated Resources (and/or amendments thereof) approved by Council were not properly posted to the accounting system. Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure budgetary data has been properly posted to the ledgers and overspending does not occur.

Officials' Response:

Officials did not provide a response to this finding.

13. Law Enforcement Trust Fund – Internal Control Deficiency

Finding number 2018-013

The Village's law enforcement trust fund internal control policy, section 5.05.03, paragraph A.2 states "an accurate log of deposits will be kept and shall include the date and amount of proceeds received". The Village did not record one deposit in the amount of \$125 in the law enforcement trust fund checkbook. Also, a running cash balance was not documented in the checkbook after August 2018. Failure to record all deposits may result in incomplete financial records and the misappropriations of funds. The Village should record all deposits in the checkbook and document a running cash balance to ensure the financial records are accurate. The Village should reconcile the checkbook to the bank statements on a regular basis.

Officials' Response:

Officials did not provide a response to this finding.

14. Income Tax Distributions – Internal Control Deficiency

FINDING NUMBER 2018-014

On an annual basis the Village distributes income tax monies from the Income Tax Fund to other funds as approved by Council. The distributions are based upon estimated revenue sheets reviewed by Council. If Council decides to distribute any additional income taxes later in the year, those distributions are to be approved by Council in the minutes.

For 2017 the estimated distribution amount for the General Fund was \$100,000. However, the actual amount transferred was \$175,000. For 2018 the estimated distribution amount for the General Fund was \$120,000. However, the actual amount transferred was \$175,000. There was no evidence that Council approved the increases in distributions. Failure to document Council approval for changes in income tax distributions could result in improper monitoring of financial activity. The Council should document approval of all distributions of income taxes.

Officials' Response:

Officials did not provide a response to this finding.

15. Credit Card Policy – Internal Control Deficiency

FINDING NUMBER 2018-015

Credit cards have become a common method for making purchases. The use of credit cards provides an increased risk of potential unallowable expenditures to occur. To help negate these risks, governing boards should establish procedures to regulate the use of credit cards.

The Village did not have a credit card policy in place during the audit period. A policy was approved in April 2020 which will be subject to the requirements of House Bill 312.

The Village should review its credit card policy to ensure the requirements of House Bill 312 are implemented. Failure to implement the requirements of House Bill 312 may result in unallowable expenditures occurring or being undetected by management and future findings for recovery.

Officials' Response:

Officials did not provide a response to this finding.

16. Disaster Recovery Plan – Internal Control Deficiency

FINDING NUMBER 2018-016

Adequate plans should exist for the recovery of critical computer resources following an event that disrupts data processing services for an extended period of time. The Village does not have a documented disaster recovery plan. Without proper planning, the delay in recovering critical computer resources may be longer than otherwise necessary.

The Village should complete its disaster recovery plan to adequately address contingencies following a disruption to its data processing function. We recommend the development of a disaster recovery plan that includes, but not be limited to:

- Recovery Terms, Definitions, and Personnel Responsibilities
- Recovery (Hot/Cold) Site Information and Procedures
- Off-site Materials and Tape/Dataset Listings
- Technical (Hardware/Software) Recovery Procedures and Configurations
- End User Recovery Procedures
- Prioritized Application Recovery List
- Recovery Testing Plan and Maintenance Procedures
- Public Relations Liaison Procedures

The disaster recovery plan should be periodically reviewed and tested to ensure its continued applicability. This review should also ensure that personnel are sufficiently trained to carry out procedures necessary to restore functions critical to business operations. In addition, a copy of the plan should be stored at an off-site location.

Officials' Response:

Officials did not provide a response to this finding.

17. Leave Approval – Internal Control Deficiency

FINDING NUMBER 2018-017

The Village Administrator took 16 hours of vacation leave in March 2017. His leave was not approved by the Mayor or Council. Failure to properly approve all leave could lead to inaccurate leave records and increase the risk of overpaying or underpaying employees for leave. The Village should implement procedures to ensure all leave is properly approved.

Officials' Response:

Officials did not provide a response to this finding.

18. Late Fees, Penalties, Interest – Internal Control Deficiency

FINDING NUMBER 2018-018

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 "proper public purpose" rests with 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.

The Village incurred penalties, late fees and interest charges on purchases and services totaling \$96 in 2017 and 2018. However, the Village was unable to provide documentation supporting whether those penalties, late fees, and interest charges were subsequently paid by the Village.

Failure to implement procedures to avoid penalties, interest and late fees for expenditures may lead to findings for recovery. We recommend the Village implement procedures to verify these fees are not incurred and all Village funds are used for a proper public purpose. All documentation supporting the payment of expenditures should be maintained.

19. Finding for Recovery

FINDING NUMBER 2018-019

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 "proper public purpose" rests with 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. Additionally, the bulletin states that the Auditor of State will only question expenditures where the legislative determination of proper public purpose is manifestly arbitrary and incorrect.

The Village paid \$3,326 in penalties, late fees, and interest charges for various credit cards and expenditures for services, as well as payroll withholding submissions to the Internal Revenue Service, Ohio State Department of Taxation, Ohio Public Employees Retirement System, and Ohio Police & Fire Pension Fund. Penalties, late fees, and interest charges are unnecessary expenditures which do not serve a proper public purpose. In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued in the amount of \$3,326 against Wendy Chesney, former Clerk-Treasurer, and in favor of the Village's General Fund for \$1,564, Street Fund for \$103, State Highway Fund for \$66, Ambulance Operating Fund for \$890, Fire Operating Fund for \$207, Water Fund for \$260, Sewer Fund for \$104, Sanitation Fund for \$42, Income Tax Fund for \$10, and Ambulance Billing Fund for \$80. Further, Wendy Chesney's bonding company, The Cincinnati Insurance Company, will be jointly and severally liable in the amount of \$3,326 and in favor of the Village's funds as mentioned above.

**FINDING NUMBER 2018-019
(Continued)**

Management and the Village Council should establish procedures to verify all payments are made in a timely manner to avoid penalties, late fees, and interest charges. Failure to do so could result in potential findings for recovery being issued in future audits.

Officials' Response:

Officials did not provide a response to this finding.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF WEST ALEXANDRIA

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 1/5/2021

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This report is a matter of public record and is available online at
www.ohioauditor.gov