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**VILLAGE OF WEST JEFFERSON
MADISON COUNTY
Regular Audit
For the Years Ended December 31, 2014 and 2013**

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Dave Yost • Auditor of State

Village Council
Village of West Jefferson
28 East Main Street
West Jefferson, OH 43162

We have reviewed the *Independent Auditor's Report* of the Village of West Jefferson, Madison County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

October 30, 2015

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VILLAGE OF WEST JEFFERSON
MADISON COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 29, 2015

Village of West Jefferson
Madison County
28 East Main Street
West Jefferson, OH 43162

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Village of West Jefferson**, Madison County (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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



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

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

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

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis 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, 2014 and 2013, 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 Jefferson, Madison County as of December 31, 2014 and 2013, 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 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2015 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



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

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 87,446	\$ -	\$ -	\$ 87,446
Municipal Income Tax	2,072,221	276,264	414,412	2,762,897
Intergovernmental	77,244	225,070	-	302,314
Special Assessments	70,500	372,790	-	443,290
Charges for Services	52,851	-	-	52,851
Fines, Licenses and Permits	78,628	143,420	-	222,048
Miscellaneous	60,409	63,252	-	123,661
<i>Total Cash Receipts</i>	<u>2,499,299</u>	<u>1,080,796</u>	<u>414,412</u>	<u>3,994,507</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,278,021	-	-	1,278,021
Leisure Time Activities	31,786	1,750	-	33,536
Community Environment	49,704	-	-	49,704
Transportation	-	517,868	-	517,868
General Government	966,036	290,825	-	1,256,861
Capital Outlay	-	23,985	98,645	122,630
Debt Service:				
Principal Retirement	80,255	20,015	-	100,270
Interest and Fiscal Charges	8,277	-	-	8,277
<i>Total Cash Disbursements</i>	<u>2,414,079</u>	<u>854,443</u>	<u>98,645</u>	<u>3,367,167</u>
<i>Excess of Receipts Over Disbursements</i>	<u>85,220</u>	<u>226,353</u>	<u>315,767</u>	<u>627,340</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	6,275	-	-	6,275
Transfers Out	(17,500)	-	-	(17,500)
Advances In	75,000	-	-	75,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>63,775</u>	<u>-</u>	<u>-</u>	<u>63,775</u>
<i>Net Change in Fund Cash Balances</i>	148,995	226,353	315,767	691,115
<i>Fund Cash Balances, January 1</i>	<u>966,797</u>	<u>989,054</u>	<u>433,646</u>	<u>2,389,497</u>
Fund Cash Balances, December 31				
Restricted	-	1,215,407	749,413	1,964,820
Assigned	124,935	-	-	124,935
Unassigned	990,857	-	-	990,857
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,115,792</u>	<u>\$ 1,215,407</u>	<u>\$ 749,413</u>	<u>\$ 3,080,612</u>

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 2,511,240
Miscellaneous	788
	<u>2,512,028</u>
<i>Total Operating Cash Receipts</i>	<u>2,512,028</u>
Operating Cash Disbursements	
Personal Services	459,414
Employee Fringe Benefits	141,268
Contractual Services	681,165
Supplies and Materials	276,823
Other	14,848
	<u>1,573,518</u>
<i>Total Operating Cash Disbursements</i>	<u>1,573,518</u>
<i>Operating Income</i>	<u>938,510</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	2,926
Special Assessments	5,875
Other Debt Proceeds	295,893
Miscellaneous Receipts	2,841
Capital Outlay	(475,604)
Principal Retirement	(420,226)
Interest and Other Fiscal Charges	(87,613)
	<u>(675,908)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(675,908)</u>
<i>Income (Loss) before Transfers/Advances</i>	262,602
Transfers In	17,500
Advances Out	(75,000)
	<u>205,102</u>
<i>Net Change in Fund Cash Balances</i>	<u>205,102</u>
<i>Fund Cash Balances, January 1</i>	<u>1,324,585</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 1,529,687</u></u>

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 68,755	\$ -	\$ -	\$ 68,755
Municipal Income Tax	1,832,820	243,508	357,711	2,434,039
Intergovernmental	835,485	219,998	-	1,055,483
Special Assessments	76,132	354,830	-	430,962
Charges for Services	62,916	-	-	62,916
Fines, Licenses and Permits	85,849	139,749	-	225,598
Miscellaneous	140,460	88,720	7,628	236,808
<i>Total Cash Receipts</i>	<u>3,102,417</u>	<u>1,046,805</u>	<u>365,339</u>	<u>4,514,561</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,268,239	4,422	-	1,272,661
Leisure Time Activities	37,011	-	-	37,011
Community Environment	54,021	-	-	54,021
Transportation	750,000	455,608	-	1,205,608
General Government	664,797	405,459	-	1,070,256
Debt Service:				
Principal Retirement	78,166	20,015	-	98,181
Interest and Fiscal Charges	10,367	-	-	10,367
<i>Total Cash Disbursements</i>	<u>2,862,601</u>	<u>885,504</u>	<u>-</u>	<u>3,748,105</u>
<i>Excess of Receipts Over Disbursements</i>	<u>239,816</u>	<u>161,301</u>	<u>365,339</u>	<u>766,456</u>
Other Financing Receipts (Disbursements)				
Transfers Out	(15,000)	-	-	(15,000)
Advances In	75,000	-	-	75,000
Other Financing Uses	(20,350)	-	-	(20,350)
<i>Total Other Financing (Disbursements)</i>	<u>39,650</u>	<u>-</u>	<u>-</u>	<u>39,650</u>
<i>Net Change in Fund Cash Balances</i>	279,466	161,301	365,339	806,106
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>687,331</u>	<u>827,753</u>	<u>68,307</u>	<u>1,583,391</u>
Fund Cash Balances, December 31				
Restricted	-	989,054	433,646	1,422,700
Assigned	196,227	-	-	196,227
Unassigned	770,570	-	-	770,570
<i>Fund Cash Balances, December 31</i>	<u>\$ 966,797</u>	<u>\$ 989,054</u>	<u>\$ 433,646</u>	<u>\$ 2,389,497</u>

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 2,353,877
Miscellaneous	1,600
<i>Total Operating Cash Receipts</i>	<i>2,355,477</i>
Operating Cash Disbursements	
Personal Services	389,150
Employee Fringe Benefits	120,348
Contractual Services	657,621
Supplies and Materials	139,691
Other	15,394
<i>Total Operating Cash Disbursements</i>	<i>1,322,204</i>
<i>Operating Income</i>	<i>1,033,273</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	5,628
Special Assessments	9,588
Other Debt Proceeds	562,226
Miscellaneous Receipts	30,481
Capital Outlay	(789,502)
Principal Retirement	(531,242)
Interest and Other Fiscal Charges	(111,123)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(823,944)</i>
<i>Income before Transfers/Advances</i>	<i>209,329</i>
Transfers In	45,000
Transfers Out	(30,000)
Advances Out	(75,000)
<i>Net Change in Fund Cash Balances</i>	<i>149,329</i>
<i>Fund Cash Balances, January 1 (Restated)</i>	<i>1,175,256</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 1,324,585</i>

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of West Jefferson, Madison County, (the Village) as a body corporate and politic. A publicly-elected seven-member Council directs the Village. The Village provides water and sewer utilities, pool and park operations, and police services.

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

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

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

Tax Increment Equivalent - Battelle Fund – This fund receives tax increment financing money to fund public infrastructure improvements.

3. Capital Projects Funds

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

Main Street Enhancement Fund – This fund receives Ohio Public Works Commission (OPWC) monies to fund a street repair project.

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

Sewer Operating 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 trash collection service costs.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or it is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

G. Property, Plant and Equipment

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

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS

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

	<u>2014</u>	<u>2013</u>
Demand deposits	<u>\$ 4,610,299</u>	<u>\$ 3,714,082</u>

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,500,850	\$ 2,505,574	\$ 4,724
Special Revenue	887,100	1,080,796	193,696
Capital Projects	390,000	414,412	24,412
Enterprise	2,084,100	2,837,063	752,963
Total	\$ 5,862,050	\$ 6,837,845	\$ 975,795

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,769,256	\$ 2,556,514	\$ 212,742
Special Revenue	931,565	876,817	54,748
Capital Projects	823,646	114,688	708,958
Enterprise	3,677,600	2,633,456	1,044,144
Total	\$ 8,202,067	\$ 6,181,475	\$ 2,020,592

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,173,000	\$ 3,102,417	\$ (70,583)
Special Revenue	942,392	1,046,804	104,412
Capital Projects	390,000	365,339	(24,661)
Enterprise	3,074,236	3,008,400	(65,836)
Total	\$ 7,579,628	\$ 7,522,960	\$ (56,668)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,359,799	\$ 3,094,178	\$ 265,621
Special Revenue	985,314	901,182	84,132
Capital Projects	186,769	-	186,769
Enterprise	3,604,156	2,920,379	683,777
Total	\$ 8,136,038	\$ 6,915,739	\$ 1,220,299

4. PROPERTY TAX

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

5. LOCAL INCOME TAX

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

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

5. LOCAL INCOME TAX (Continued)

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.

6. DEBT

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest</u>
OWDA #3723	\$ 307,131	3.00%
OWDA #4748	2,131,847	2.75%
OWDA #6301	164,257	3.74%
OWDA #6783	39,673	4.31%
OPWC #CK818	17,966	0.00%
OPWC #CK07N	350,263	0.00%
OPWC #CT51P	363,992	0.00%
OPWC #CK22Q	250,160	0.00%
Total	<u>\$ 3,625,289</u>	

During 2004, the Village entered into a loan agreement with OWDA for OWDA Loan #3723 for the construction of a 250,000 gallon water tower and water and sewer line installation for the Target Distribution Center. MTB Corp. developed the land for the Target Distribution Center and MTB Corp. partnered with the Village to obtain financing. MTB Corp. is then reimbursing the Village for the loan payments. The original amount of the loan was \$704,393. The loan bears an interest rate of 3.0% and is to be paid back over 15 years in semiannual installments of \$41,028.

During 2007, the Village entered into a loan agreement with OWDA for OWDA Loan #4748 for the water plant improvement project. The original amount of the loan was \$2,131,847. The loan bears an interest rate of 2.75% with payments of \$92,410, including principal and interest.

During 2012, the Village entered into a loan agreement with OWDA for OWDA Loan #6301 for the wastewater treatment plant improvement project. The original amount of the loan was \$187,560. The loan bears an interest rate of 3.74%. No amortization schedule is available at this time due to the loan still being open and available for disbursement purposes. When the loan is closed, payments will be established based on the final amount of the loan.

During 2014, the Village entered into a loan agreement with OWDA for OWDA Loan #6783 for the wellfield and water treatment plant improvement project. The original amount of the loan was \$451,719. The loan bears an interest rate of 4.31%. No amortization schedule is available at this time due to the loan still being open and available for disbursement purposes. When the loan is closed, payments will be established based on the final amount of the loan.

During 1995, the Village entered into a loan agreement with OPWC for OPWC Loan #CK818 for the reconstruction of a relief trunk sewer. The original loan amount was \$451,600. The loan bears an interest rate of 0% and is to be paid back in semiannual installments of \$8,983.

During 2011, the Village entered into a loan agreement with OPWC for OPWC Loan #CK07N for a street reconstruction project. The original loan amount was \$400,300. The loan bears an interest rate of 0% and is to be paid back in semiannual installments of \$10,008.

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

6. DEBT (Continued)

During 2013, the Village entered into a loan agreement with OPWC for OPWC Loan #CT51P various waterline replacements. The original loan amount was \$383,150. The loan bears an interest rate of 0% and is to be paid back in semiannual installments of \$9,579.

During 2014, the Village entered into a loan agreement with OPWC for OPWC Loan #CK22Q for the wellfield and wastewater treatment plant improvement project. The original amount of the loan was \$600,001. The loan bears an interest rate of 0%. No amortization schedule is available at this time due to the loan still being open and available for disbursement purposes. When the loan is closed, payments will be established based on the final amount of the loan.

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

Year Ending December 31	OWDA Loan #3723	OWDA Loan #4748	OPWC Loan #CK818	OPWC Loan #CK07N	OPWC Loan #CT51P	Total
2015	\$ 82,056	\$ 181,064	\$ 17,966	\$ 20,015	\$ 19,157	\$ 320,258
2016	82,056	184,821	-	20,015	19,157	306,049
2017	82,056	184,821	-	20,015	19,157	306,049
2018	82,056	184,821	-	20,015	19,157	306,049
2019	-	184,821	-	20,015	19,157	223,993
2020-2024	-	924,104	-	100,075	95,788	1,119,967
2025-2029	-	739,284	-	100,075	95,788	935,147
2030-2034	-	-	-	50,038	76,631	126,669
Total	<u>\$ 328,224</u>	<u>\$ 2,583,736</u>	<u>\$ 17,966</u>	<u>\$ 350,263</u>	<u>\$ 363,992</u>	<u>\$ 3,644,181</u>

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. From January 1, 2013, through June 30, 2013, OP&F participants contributed 10% of their wages. From July 1, 2013, through June 30, 2014, OP&F participants contributed 10.75% of their wages. From July 1, 2014, through December 31, 2014, OP&F participants contributed 11.5% of their wages. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2013, 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, 2014.

8. RISK MANAGEMENT

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

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

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

8. RISK MANAGEMENT (Continued)

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$25,000.

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

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2014</u>
\$35,329	\$37,523

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

8. RISK MANAGEMENT (Continued)

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

9. TRANSFERS

During 2013, the following transfers were made:

	Transfers - In	Transfers - Out
Sewer Operating Fund	\$ -	\$ (30,000)
Wastewater Repair Fund	30,000	-
	\$ 30,000	\$ (30,000)

During 2013, a transfer was made from the Sewer Operating Fund to its corresponding Wastewater Repair Fund in accordance with the Village's resolution #13-090. The transfer was deemed allowable.

10. ADVANCES

During 2013 and 2014, advances were made to the General Fund (\$75,000) from the Sewer Operating (\$50,000) and Water Operating (\$25,000) Funds in accordance with the Village's resolution #13-091. The advances were repayments of prior year advances from the General Fund and were deemed allowable.

11. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, 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.

12. PRIOR PERIOD FUND BALANCE ADJUSTMENTS

The Village posted adjustments in 2013 to correct a previous allocation in debt service payments between Special Revenue, Debt Service, and Enterprise Funds.

	Total Special Revenue	Total Capital Projects	Total Enterprise
Balance as of December 31, 2012	\$ 837,761	\$ 196,334	\$ 1,037,221
Correction of Error in Debt Service Payment Allocation	(10,008)	(128,027)	138,035
Adjusted January 1, 2013 Fund Balance	\$ 827,753	\$ 68,307	\$ 1,175,256



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740.373.0056

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Parkersburg, WV 26101
304.422.2203

121 E Main St
St. Clairsville, OH 43950
740.695.1569

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

June 29, 2015

Village of West Jefferson
Madison County
28 East Main Street
West Jefferson, OH 43162

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of West Jefferson**, Madison County (the Village) as of and for the year ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 29, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2014-001 described in the accompanying schedule of audit findings to be a material weakness.



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Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

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• Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 29, 2015.

Purpose of this Report

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



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

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Material Weakness

Posting Receipts, Disbursements and Classification of Fund Balances

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54.

During 2014 and 2013, receipts, disbursements and fund balances were not always posted or classified correctly. The following errors were noted:

- Adjustments proposed by the predecessor auditor during the 2011-2012 audit were not made to the Village's accounting system
- Reverse Osmosis Fund Charges for Services receipts were recorded in a Capital Projects Fund instead of an Enterprise Fund in 2013.
- Intergovernmental receipts were recorded in the Street Construction Maintenance and Repair and State Highway Special Revenue Funds instead of the Permissive Motor Vehicle License Tax Fund in 2013.
- Intergovernmental receipts were recorded in the General Fund instead of the Street Construction Maintenance and Repair and State Highway Funds in 2013.
- Intergovernmental receipts were recorded in the General Fund instead of Permissive Motor Vehicle License Tax Fund in 2013.
- Fines, Licenses and Permits receipts were recorded as Charges for Services receipts in the Revitalization and Park Development Special Revenue Funds in 2014 and 2013.
- Income tax receipts were recorded as Property and Other Local Taxes receipts in the General Fund in 2014.
- OWDA debt payments were recorded in an Agency Fund instead of an Enterprise Fund in 2014 and 2013.
- OWDA debt payments were recorded in a Capital Projects Fund instead of an Enterprise Fund in 2013.
- OWDA loan interest credits were not recorded on the Village's books in 2014 and 2013.
- Advances In in the General Fund were recorded as Transfers In in 2013.
- Advances Out of the Water and Sewer Enterprise Funds were recorded as Transfers Out in 2013.
- The fund balance for encumbrances in the General Fund was misclassified as Unassigned instead of Assigned in 2014 and 2013.
- A portion of the fund balance in the General Fund was misclassified as Restricted instead of Unassigned in 2013.

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

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

VILLAGE OF WEST JEFFERSON
MADISON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001 (Continued)

Posting Receipts, Disbursements and Classification of Fund Balances (Continued)

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

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

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Posting Receipts and Disbursements	No	Repeated as Finding 2014-001
2012-002	Bank Reconciliations	Yes	
2012-003	Ohio Revised Code Section 5705.36(A)(4)	Yes	
2012-004	Ohio Revised Code Section 5705.41(B)	Yes	

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Dave Yost • Auditor of State

VILLAGE OF WEST JEFFERSON

MADISON 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
NOVEMBER 12, 2015**