

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

1310 Market Street, Suite 300
Wheeling, WV 26003
304.232.1358



Certified Public Accountants, A.C.

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY
Regular Audit**

For the Years Ended December 31, 2016 and 2015

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Village of West Jefferson
Madison County

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INDEPENDENT AUDITOR'S REPORT

June 16, 2017

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 of the cash balances, receipts, and disbursements by fund type, and related notes of the **Village of West Jefferson**, Madison County (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2017 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



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 (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 84,505	\$ -	\$ -	\$ 84,505
Municipal Income Tax	2,331,326	333,046	666,094	3,330,466
Intergovernmental	75,012	222,773	-	297,785
Special Assessments	76,480	389,274	-	465,754
Charges for Services	33,637	-	-	33,637
Fines, Licenses and Permits	100,138	59,705	-	159,843
Earnings on Investments	1,156	281	894	2,331
Miscellaneous	55,082	7,012	-	62,094
<i>Total Cash Receipts</i>	<u>2,757,336</u>	<u>1,012,091</u>	<u>666,988</u>	<u>4,436,415</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,361,989	7,437	-	1,369,426
Leisure Time Activities	63,776	58,720	-	122,496
Community Environment	90,995	-	-	90,995
Transportation	-	463,648	-	463,648
General Government	967,171	322,371	-	1,289,542
Capital Outlay	-	16,347	51,835	68,182
Debt Service:				
Principal Retirement	63,698	20,015	10,000	93,713
Interest and Fiscal Charges	3,905	-	-	3,905
<i>Total Cash Disbursements</i>	<u>2,551,534</u>	<u>888,538</u>	<u>61,835</u>	<u>3,501,907</u>
<i>Excess of Receipts Over Disbursements</i>	<u>205,802</u>	<u>123,553</u>	<u>605,153</u>	<u>934,508</u>
Other Financing (Disbursements)				
Transfers Out	(27,500)	-	-	(27,500)
<i>Total Other Financing (Disbursements)</i>	<u>(27,500)</u>	<u>-</u>	<u>-</u>	<u>(27,500)</u>
<i>Net Change in Fund Cash Balances</i>	178,302	123,553	605,153	907,008
<i>Fund Cash Balances, January 1</i>	<u>1,263,182</u>	<u>1,315,931</u>	<u>812,718</u>	<u>3,391,831</u>
Fund Cash Balances, December 31				
Restricted	-	1,439,484	1,417,871	2,857,355
Assigned	47,120	-	-	47,120
Unassigned	1,394,364	-	-	1,394,364
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,441,484</u>	<u>\$ 1,439,484</u>	<u>\$ 1,417,871</u>	<u>\$ 4,298,839</u>

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

**VILLAGE OF WEST JEFFERSON
MADISON 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, 2016**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 2,160,262	\$ -	\$ 2,160,262
<i>Total Operating Cash Receipts</i>	<u>2,160,262</u>	<u>-</u>	<u>2,160,262</u>
Operating Cash Disbursements			
Personal Services	449,660	-	449,660
Employee Fringe Benefits	136,377	-	136,377
Contractual Services	646,655	-	646,655
Supplies and Materials	243,159	-	243,159
Other	31,025	11,180	42,205
<i>Total Operating Cash Disbursements</i>	<u>1,506,876</u>	<u>11,180</u>	<u>1,518,056</u>
<i>Operating Income (Disbursements)</i>	<u>653,386</u>	<u>(11,180)</u>	<u>642,206</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	345,200	-	345,200
Special Assessments	1,715	-	1,715
Earnings on Investments (proprietary funds only)	958	-	958
Other Debt Proceeds	3,157,495	-	3,157,495
Miscellaneous Receipts	15,730	-	15,730
Capital Outlay	(3,571,582)	-	(3,571,582)
Principal Retirement	(231,527)	-	(231,527)
Interest and Other Fiscal Charges	(85,128)	-	(85,128)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(367,139)</u>	<u>-</u>	<u>(367,139)</u>
<i>Income (Loss) before Transfers</i>	286,247	(11,180)	275,067
Transfers In	27,500	-	27,500
<i>Net Change in Fund Cash Balances</i>	313,747	(11,180)	302,567
<i>Fund Cash Balances, January 1</i>	<u>1,795,168</u>	<u>11,180</u>	<u>1,806,348</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,108,915</u>	<u>\$ -</u>	<u>\$ 2,108,915</u>

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

VILLAGE OF WEST JEFFERSON
MADISON COUNTY

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 83,263	\$ -	\$ -	\$ 83,263
Municipal Income Tax	2,242,136	320,309	640,619	3,203,064
Intergovernmental	79,481	217,834	400,000	697,315
Special Assessments	72,335	403,175	-	475,510
Charges for Services	46,548	-	-	46,548
Fines, Licenses and Permits	77,834	8,542	-	86,376
Earnings on Investments	875	-	-	875
Miscellaneous	22,196	4,822	-	27,018
<i>Total Cash Receipts</i>	<u>2,624,668</u>	<u>954,682</u>	<u>1,040,619</u>	<u>4,619,969</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,288,915	4,665	-	1,293,580
Leisure Time Activities	43,997	173,273	-	217,270
Community Environment	63,237	-	-	63,237
Transportation	-	315,206	-	315,206
General Government	1,046,525	340,999	-	1,387,524
Capital Outlay	-	-	1,334,679	1,334,679
Debt Service:				
Principal Retirement	61,480	20,015	-	81,495
Interest and Fiscal Charges	6,124	-	-	6,124
<i>Total Cash Disbursements</i>	<u>2,510,278</u>	<u>854,158</u>	<u>1,334,679</u>	<u>4,699,115</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>114,390</u>	<u>100,524</u>	<u>(294,060)</u>	<u>(79,146)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	-	-	400,000	400,000
Transfers Out	(17,000)	-	-	(17,000)
Advances In	50,000	-	-	50,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>33,000</u>	<u>-</u>	<u>400,000</u>	<u>433,000</u>
<i>Net Change in Fund Cash Balances</i>	147,390	100,524	105,940	353,854
<i>Fund Cash Balances, January 1 (Restated see Note 12)</i>	<u>1,115,792</u>	<u>1,215,407</u>	<u>706,778</u>	<u>3,037,977</u>
Fund Cash Balances, December 31				
Restricted	-	1,315,931	812,718	2,128,649
Assigned	46,072	-	-	46,072
Unassigned	1,217,110	-	-	1,217,110
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,263,182</u>	<u>\$ 1,315,931</u>	<u>\$ 812,718</u>	<u>\$ 3,391,831</u>

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

**VILLAGE OF WEST JEFFERSON
MADISON 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, 2015**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 2,053,575	\$ -	\$ 2,053,575
Miscellaneous	742	-	742
<i>Total Operating Cash Receipts</i>	<u>2,054,317</u>	<u>-</u>	<u>2,054,317</u>
Operating Cash Disbursements			
Personal Services	420,311	-	420,311
Employee Fringe Benefits	130,663	-	130,663
Contractual Services	652,548	-	652,548
Supplies and Materials	238,486	-	238,486
Other	26,217	-	26,217
<i>Total Operating Cash Disbursements</i>	<u>1,468,225</u>	<u>-</u>	<u>1,468,225</u>
<i>Operating Income</i>	<u>586,092</u>	<u>-</u>	<u>586,092</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	153,259	-	153,259
Special Assessments	4,204	-	4,204
Other Debt Proceeds	3,062,027	-	3,062,027
Miscellaneous Receipts	12,860	11,180	24,040
Capital Outlay	(3,318,729)	-	(3,318,729)
Principal Retirement	(183,461)	-	(183,461)
Interest and Other Fiscal Charges	(60,406)	-	(60,406)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(330,246)</u>	<u>11,180</u>	<u>(319,066)</u>
<i>Income before Transfers/Advances</i>	255,846	11,180	267,026
Transfers In	17,000	-	17,000
Advances Out	(50,000)	-	(50,000)
<i>Net Change in Fund Cash Balances</i>	222,846	11,180	234,026
<i>Fund Cash Balances, January 1 (Restated See Note 12)</i>	<u>1,572,322</u>	<u>-</u>	<u>1,572,322</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,795,168</u>	<u>\$ 11,180</u>	<u>\$ 1,806,348</u>

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

Village of West Jefferson
Madison County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 1 - Reporting Entity

The Village of West Jefferson (the Village), Madison 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. A publicly-elected seven-member Council directs the Village. The Village provides water and sewer utilities, pool and park operations, and police services.

Public Entity Risk Pools and Related Organizations

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for that entity.

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

Note 2 - Summary of Significant Accounting Policies

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

Park Development Fund The park development fund accounts for and reports fines, licenses and permits revenue that are restricted to fund the park.

Tax Increment Equivalent Fund The tax increment equivalent fund receives tax increment financing money to fund public infrastructure improvements.

Village of West Jefferson
Madison County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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

Capital Projects Fund The capital projects fund accounts for and reports proceeds of 20% of the Income Tax Revenues along with grant funds. The proceeds are restricted for Village wide capital improvements.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sanitation Fund The Sanitation fund receives charges for services from residents to cover trash collection service costs.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency 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 funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for a fire loss claim as described in Ohio Revised Code Section 3929.86.

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 (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of, 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, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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 2016 and 2015 budgetary activity appears in Note 3.

Deposits

The Village invests all available funds in interest-bearing checking accounts. Interest earned is recognized and recorded when received.

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.

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.

Village of West Jefferson
Madison County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

Note 3 - Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,661,723	\$ 2,757,336	\$ 95,613
Special Revenue	900,221	1,012,091	111,870
Capital Projects	600,000	666,988	66,988
Enterprise	5,478,921	5,708,860	229,939
Total	\$ 9,640,865	\$ 10,145,275	\$ 504,410

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,707,795	\$ 2,626,154	\$ 81,641
Special Revenue	947,948	897,143	50,805
Capital Projects	249,043	74,178	174,865
Enterprise	5,648,297	5,412,418	235,879
Total	\$ 9,553,083	\$ 9,009,893	\$ 543,190

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,568,556	\$ 2,674,668	\$ 106,112
Special Revenue	923,227	954,682	31,455
Capital Projects	1,091,705	1,440,619	348,914
Enterprise	5,184,864	5,303,667	118,803
Total	\$ 9,768,352	\$ 10,373,636	\$ 605,284

Village of West Jefferson
Madison County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 3 - Budgetary Activity (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,684,858	\$ 2,573,350	\$ 111,508
Special Revenue	988,625	879,335	109,290
Capital Projects	1,516,043	1,336,579	179,464
Enterprise	5,434,597	5,086,529	348,068
Total	\$ 10,624,123	\$ 9,875,793	\$ 748,330

Note 4 – Deposits

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

	2016	2015
Demand deposits	\$ 6,407,754	\$ 5,198,179
Total deposits	\$ 6,407,754	\$ 5,198,179

Deposits

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

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 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.

Income Taxes

The Village levies a municipal income tax of 1% 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.

Village of West Jefferson
Madison County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 6 – Interfund Balances

Advances

During 2015, an advance was made to the General Fund (\$50,000) from the Sewer Operating Fund in accordance with the Village’s Resolution #15-041. The advance was the final repayment of a prior year advance from the General Fund.

Note 7 - Risk Management

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016 and 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

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

At December 31, 2016 and 2015, respectively, the liabilities above include approximately \$12.0 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million and \$11.0 million of unpaid claims to be billed. The Pool’s membership increased from 488 members in 2014 to 499 members in 2015 to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village’s share of these unpaid claims collectible in future years is approximately \$28,000.

Village of West Jefferson
Madison County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 7 - Risk Management (Continued)

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>2016 Contributions to PEP</u> \$ 44,397	<u>2015 Contributions to PEP</u> \$38,037
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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.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Retirement System

Some of the Village's certified Fire Fighters and full-time Police Officers belong to the 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed from January 1, 2015, through June 30, 2015, OP&F participants contributed 11.5% of their wages. From July 1, 2015, through December 31, 2016, OP&F participants contributed 12.25% of their wages. For 2015, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Note 9 - 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. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Village of West Jefferson
Madison County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OWDA - #3723	\$ 158,136	3.00%
OWDA - #4748	1,878,171	2.75%
OWDA - #6783	290,626	4.31%
OWDA - #6941	5,463,011	1.34%
OPWC - #CK07N	310,231	0.00%
OPWC - #CT51P	325,676	0.00%
OPWC - #CK22Q	838,766	0.00%
OPWC - #CK21R	390,000	0.00%
	\$ 9,654,617	

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 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 2015, the Village entered into a loan agreement with OWDA for OWDA Loan #6941 for the wastewater treatment plant improvement project construction. The original amount of the loan was \$6,018,355. The loan bears an interest rate of 1.34%. 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 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.

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.

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.

Village of West Jefferson
Madison County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 10 – Debt (Continued)

During 2015, the Village entered into a loan agreement with OPWC for OPWC Loan #CK21R Westwood Estates Street Improvements. The original loan amount was \$400,000. The loan bears an interest rate of 0% and is to be paid back in semiannual installments of \$10,000.

Amortization

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

Year ending December 31:	OWDA # 3723	OWDA # 4748	OPWC # CK07N	OPWC # CT51P	OPWC # CK21R
2017	\$ 82,056	\$ 184,421	\$ 20,015	\$ 19,157	\$ 20,000
2018	82,056	184,421	20,015	19,157	20,000
2019	-	184,421	20,015	19,157	20,000
2020	-	184,421	20,015	19,157	20,000
2021	-	184,421	20,015	19,157	20,000
2022-2026	-	924,105	100,075	95,788	100,000
2027-2031	-	369,642	100,075	95,788	100,000
2032-2036	-	-	10,006	38,315	90,000
2037-2041	-	-	-	-	-
Total	<u>\$164,112</u>	<u>\$2,215,852</u>	<u>\$ 310,231</u>	<u>\$ 325,676</u>	<u>\$ 390,000</u>

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. 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 12 – Prior Period Fund Balance Adjustment

The Village posted adjustments in 2015 proposed during the prior audit. The previous audit had inaccurately proposed fund balance adjustments from a water tower project to Capital Projects. The accurate fund balances are noted below.

	<u>Total Capital Projects</u>	<u>Total Enterprise</u>
Balance as of December 31, 2014	\$ 749,413	\$ 1,529,687
Correction of Receipt Allocations	(42,635)	42,635
Adjusted January 1, 2015 Fund Balance	<u>\$ 706,778</u>	<u>\$ 1,572,322</u>



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

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

June 16, 2017

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 cash balances, receipts, and disbursements by fund type of the **Village of West Jefferson**, Madison County (the Village) as of and for the year ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 16, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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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 a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 16, 2017.

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, 2016 AND 2015

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

FINDING NUMBER 2016-001

Material Weakness

Posting Receipts, Disbursements and Classification of Fund Balances

The Village should have procedures and controls in place to help prevent and detect errors in financial reporting. Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions.

During 2016 and 2015, receipts, disbursements and fund balances were not always posted or classified correctly. The following errors were noted:

- OWDA loan interest credits were not recorded on the Village's books in 2016 and 2015.
- The fund balance for encumbrances in the General Fund was misclassified as Committed instead of Assigned in 2016 and 2015.
- Debt Proceeds were recorded as Intergovernmental in 2015.
- Intergovernmental receipts were recorded as Debt Proceeds in 2015.
- Principal payment was recorded as Capital Outlay instead of Principal in 2016.
- Capital Outlay was recorded as Interest in 2016.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring reclassifications. The financial statements reflect all 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.

We also recommend the Fiscal Officer refer to 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, 2016 AND 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2014-001	Posting Receipts and Disbursements	No	Repeated as Finding 2016-001