

**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**





# Dave Yost • Auditor of State

Members of Council  
Village of West Jefferson  
28 East Main Street  
P.O. Box 48  
West Jefferson, Ohio 43162

We have reviewed the *Independent Accountants' Report* of the Village of West Jefferson, Madison County, prepared by Holbrook & Manter, for the audit period January 1, 2009 through December 31, 2010. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

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Dave Yost  
Auditor of State

August 15, 2012

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## INDEPENDENT ACCOUNTANTS' REPORT

Village Council  
Village of West Jefferson  
Madison County

We have audited the accompanying financial statements of the Village of West Jefferson, Madison County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Government Auditing Standards. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

Because of the inadequacies in the Village's accounting records, we were unable to determine the completeness of the swimming pool receipts for 2010 in the accompanying financial statements, nor were we able to satisfy ourselves as to those financial activities by alternative auditing procedures.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

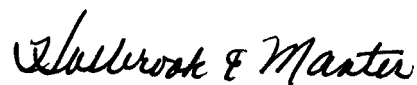
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require, Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, which might have been determined had those certain selected pool receipts been able to be tested during the 2010 audit, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of West Jefferson, Madison county, Ohio, as of December 31, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The image shows a handwritten signature in black ink that reads "Shullbrook & Manton". The signature is written in a cursive, flowing style.

Certified Public Accountants

February 29, 2012



**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>GOVERNMENTAL FUND TYPES</b>				<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Project</b>	
<b>CASH RECEIPTS:-</b>					
Local taxes	\$ 72,120	\$ 0	\$ 0	\$ 0	\$ 72,120
Municipal income taxes	1,636,552	233,837	0	0	1,870,389
Intergovernmental	154,754	216,660	0	0	371,414
Charges for services	86,200	169,216	0	0	255,416
Special assessments	92,063	59,443	0	0	151,506
Fines, licenses, and permits	56,093	4,080	0	0	60,173
Earnings on investments	19,729	4,048	0	0	23,777
Miscellaneous	10,883	8	0	0	10,891
<b>Total cash receipts</b>	<b>2,128,394</b>	<b>687,292</b>	<b>0</b>	<b>0</b>	<b>2,815,686</b>
<b>CASH DISBURSEMENTS:-</b>					
<b>Current:-</b>					
Security of persons and property	1,046,659	6,010	0	0	1,052,669
Leisure time activities	47,012	30,894	0	0	77,906
Community environment	56,389	0	0	0	56,389
Basic utility services	0	0	0	0	0
Transportation	0	411,327	0	0	411,327
General government	794,261	37,799	0	4,310	836,370
Capital outlay	0	0	0	0	0
Debt service:-					
Redemption of principal	84,165	0	0	0	84,165
Interest and other fiscal charges	18,820	0	0	0	18,820
<b>Total cash disbursements</b>	<b>2,047,306</b>	<b>486,030</b>	<b>0</b>	<b>4,310</b>	<b>2,537,646</b>
<b>Total receipts over (under) cash disbursements:</b>	<b>81,088</b>	<b>201,262</b>	<b>0</b>	<b>( 4,310)</b>	<b>278,040</b>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS):-</b>					
Transfers - in	0	0	0	0	0
Transfers - out	0	0	0	0	0
Advance - in	50,000	0	61	0	50,061
Advance - out	( 50,061)	0	0	0	( 50,061)
Sale of fixed assets	2,309	0	0	0	2,309
Sale of notes	0	0	0	0	0
<b>Total other financing receipts (disbursements)</b>	<b>2,248</b>	<b>0</b>	<b>61</b>	<b>0</b>	<b>2,309</b>
<b>Excess of cash receipts and other financing receipt: over (under) cash disbursements and other financing disbursements:</b>	<b>83,336</b>	<b>201,262</b>	<b>61</b>	<b>( 4,310)</b>	<b>280,349</b>
<b>Fund cash balances January 1, 2010</b>	<b>533,159</b>	<b>472,160</b>	<b>0</b>	<b>11,225</b>	<b>1,016,544</b>
<b>Fund cash balances, December 31, 2010</b>	<b>\$ 616,495</b>	<b>\$ 673,422</b>	<b>\$ 61</b>	<b>\$ 6,915</b>	<b>\$ 1,296,893</b>
<b>Reserve for encumbrances, December 31, 2010</b>	<b>\$ 146,585</b>	<b>\$ 18,474</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 165,059</b>

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

**VILLAGE OF WEST JEFFERSON**  
**MADISON COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE  
IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES-  
FOR THE YEAR ENDED DECEMBER 31, 2010

		<u>Proprietary Funds</u>
		<u>Enterprise</u>
<b>OPERATING CASH RECEIPTS:-</b>		
Charges for services	\$	1,524,629
Miscellaneous		100
Total operating cash receipts		<u>1,524,729</u>
<b>OPERATING CASH DISBURSEMENTS:</b>		
Personal services		284,169
Employee Fringe Benefits		84,218
Contractual services		545,466
Supplies and materials		142,457
Other		99,599
Total operating cash disbursements		<u>1,155,909</u>
Operating income		<u>368,820</u>
<b>NON-OPERATING CASH RECEIPTS (DISBURSEMENTS):-</b>		
Municipal income taxes		204,668
Special assessments		63,144
Earnings on investments		768
Miscellaneous receipts		3,145
Capital outlay	(	55,486)
Principal retirement	(	448,675)
Interest and other fiscal charges	(	164,797)
Total non-operating receipts (disbursements)	(	<u>397,233)</u>
Income (loss) before interfund transfers and advances	(	28,413)
Advance - in		50,000
Advance - out	(	<u>50,000)</u>
Net change in fund cash balances	(	28,413)
Fund cash balances, January 1, 2010		<u>979,388</u>
Fund cash balances, December 31, 2010	\$	<u><u>950,975</u></u>
<b>Reserve for encumbrances, December 31, 2010</b>	<b>\$</b>	<b><u><u>58,873</u></u></b>

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

**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<b>GOVERNMENTAL FUND TYPES</b>				<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Project</b>	
<b>CASH RECEIPTS:-</b>					
Local taxes	\$ 70,479	\$ 0	\$ 0	\$ 0	\$ 70,479
Municipal income taxes	1,377,590	172,614	0	0	1,550,204
Intergovernmental	146,327	228,987	0	8,000	383,314
Charges for services	40,541	110,270	0	0	150,811
Special assessments	91,511	64,688	0	0	156,199
Fines, licenses, and permits	50,123	2,527	0	0	52,650
Earnings on investments	22,073	5,819	0	0	27,892
Miscellaneous	7,729	900	0	0	8,629
Total cash receipts	1,806,373	585,805	0	8,000	2,400,178
<b>CASH DISBURSEMENTS:-</b>					
<b>Current:-</b>					
Security of persons and property	1,035,560	5,899	0	0	1,041,459
Leisure time activities	48,500	22,277	0	0	70,777
Community environment	67,905	0	0	0	67,905
Basic utility services	0	0	0	0	0
Transportation	0	380,571	0	0	380,571
General government	697,787	0	0	7,755	705,542
Capital outlay	0	0	0	0	0
Debt service;					
Redemption of principal	0	0	0	0	0
Interest and other fiscal charges	0	0	0	0	0
Total cash disbursements	1,849,752	408,747	0	7,755	2,266,254
Total receipts over (under) cash disbursements:	( 43,379)	177,058	0	245	133,924
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS):-</b>					
Transfers - in	0	0	0	0	0
Transfers - out	( 82,056)	0	0	0	( 82,056)
Advance - in	0	0	0	0	0
Advance - out	( 200,000)	0	0	0	( 200,000)
Other financing uses	( 744)	0	0	0	( 744)
Sale of fixed assets	173,797	0	0	0	173,797
Sale of notes	0	0	0	0	0
Total other financing receipts (disbursements)	( 109,003)	0	0	0	( 109,003)
Excess of cash receipts and other financing receipt: over cash disbursements and other financing disbursements:	( 152,382)	177,058	0	245	24,921
Fund cash balances January 1, 2009 (restated)	685,541	295,102	0	10,980	991,623
<b>Fund cash balances, December 31, 2009</b>	<u>\$ 533,159</u>	<u>\$ 472,160</u>	<u>\$ 0</u>	<u>\$ 11,225</u>	<u>\$ 1,016,544</u>
<b>Reserve for encumbrances, December 31, 2009</b>	<u>\$ 12,717</u>	<u>\$ 10,307</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,024</u>

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

**VILLAGE OF WEST JEFFERSON**  
**MADISON COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN  
FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES-  
FOR THE YEAR ENDED DECEMBER 31, 2009

		<u>Proprietary Funds</u>
		<u>Enterprise</u>
<b>OPERATING CASH RECEIPTS:-</b>		
Charges for services	\$	1,451,968
Miscellaneous		0
		<hr/>
Total operating cash receipts		1,451,968
		<hr/>
<b>OPERATING CASH DISBURSEMENTS:-</b>		
Personal services		349,228
Employee fringe benefits		117,007
Contractual services		468,264
Supplies and materials		272,080
Other		65,168
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Total operating cash disbursements		1,271,747
		<hr/>
Operating income		180,221
		<hr/>
<b>NON-OPERATING CASH RECEIPTS (DISBURSEMENTS):-</b>		
Municipal Income Taxes		171,969
Sale of Notes		213,195
Miscellaneous		142
Special assessments		8,309
Interest		7,676
Capital outlay	(	274,210)
Redemption of principal	(	500,333)
Interest and other fiscal charges	(	204,318)
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Total non-operating cash receipts (disbursements)	(	577,570)
		<hr/>
Income (loss) before interfund transfers and advances	(	397,349)
		<hr/>
Transfers-in		228,767
Transfers-out	(	146,711)
Advance-in		200,000
		<hr/>
Net change in fund cash balances	(	115,293)
		<hr/>
Fund cash balances, January 1, 2009 (restated)		1,094,681
		<hr/>
Fund cash balances, December 31, 2009	\$	979,388
		<hr/> <hr/>
<b>Reserve for encumbrances, December 31, 2009</b>	\$	8,879
		<hr/> <hr/>

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

**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

- A. **Description of the Entity** - The Village of West Jefferson, Madison County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected seven-member Council. The Village provides general governmental services, including water and sewer utilities, pool and park operations (leisure time activities), and police services.

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

- B. **Basis of Accounting** - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

- C. **Cash and Investments** - The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively. The Village values certificates of deposit and repurchase agreements at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

- 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:

**General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**Street Construction, Maintenance and Repair Fund**

This fund receives gasoline tax, motor vehicle tax money and municipal income taxes for constructing, maintaining and repairing Village streets.

**State Highway Improvement Fund**

This fund receives gasoline and motor vehicle tax money for constructing, maintaining and repairing state highways within the Village.

**Permissive Tax Fund**

This fund receives gasoline tax and motor vehicle tax money.

**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

Enforcement Education Fund

This fund receives collections of fines, licenses and permits.

**Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

Nature Grant Fund

This fund receives grant revenue and pays disbursements in order to individually account for all transactions relating to the grant.

**Debt Service Funds**

These funds are used to accumulate resources for the payment of bonds and note indebtedness.

**Enterprise Funds**

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

Water Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

Reverse Osmosis Capital Projects Fund

This fund receives grant revenue and loan proceeds revenue and pays disbursements in order to individually account for all transactions relating to the grant and the loan.

Reverse Osmosis Loan Fund

This fund receives charges for services revenue to disburse any transactions relating to the loan payments.

Sewer Rehab Fund

This fund receives grant revenue and municipal income tax and pays disbursements for transactions relating to the grant and to the loan payments.

Sanitation Waste Water Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

Waste Water Repair Fund

This fund receives transfer-in money from Sewer Fund for water tower repair and maintenance.

Swimming Pool Fund

This fund receives charges for services from users to cover the cost of providing this service.

Water Deposit Fund

This fund receives deposits for water services from residents to cover the cost of providing this utility.

**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

- E. 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 control, and appropriations may not exceed estimated resources. The Village must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**Estimated Resources**

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

**Encumbrances**

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

- F. Property, Plant and Equipment** - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements
- G. Unpaid Vacation and Sick Leave** - Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS:-**

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

	<u>2010</u>	<u>2009</u>
Demand deposits	\$ 320,860	\$ 311,582
Huntington Bank Investments	<u>1,927,008</u>	<u>1,684,350</u>
<b>Total deposits and investments</b>	<u>\$ 2,247,868</u>	<u>\$ 1,995,932</u>

**Deposits** - The Village's deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) covered by specific collateral held by third party trustees.

**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 3 - BUDGETARY ACTIVITY:-**

Budgetary activity for the year ending December 31, 2010 was as follows:

**2010 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,925,606	\$ 2,130,703	\$ 205,097
Special Revenue	535,600	687,292	151,692
Debt Service	0	0	0
Capital Project	1,678,000	0	( 1,678,000)
Enterprise	<u>2,214,661</u>	<u>1,796,454</u>	<u>( 418,207)</u>
<b>Total</b>	<b>\$ <u>6,353,867</u></b>	<b>\$ <u>4,614,449</u></b>	<b>\$ <u>( 1,739,418)</u></b>

**2010 Budgeted VS. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 2,153,749	\$ 2,193,891	\$ ( 40,142)
Special Revenue	635,531	504,504	131,027
Debt Service	0	0	0
Capital Projects	1,681,224	4,310	1,676,914
Enterprise	<u>1,949,276</u>	<u>1,883,740</u>	<u>65,536</u>
<b>Total</b>	<b>\$ <u>6,419,780</u></b>	<b>\$ <u>4,586,445</u></b>	<b>\$ <u>1,833,335</u></b>

\*Budgeted Receipts above were obtained from the Village's accounting system instead of their certificate of estimated resources. Appropriation Authority above was obtained from resolutions approved by Village Council instead of the appropriation resolution submitted to the county auditor. The Village never properly submitted their estimated resources or appropriations to the county auditor for approval. Also, reclassification of certain fund appropriations and estimated resources were necessary at year end based on fund classifications per the Village Officials.

The Village did not amend estimated resources or appropriations when it deemed the actual receipts would be much less than the budgeted receipts causing estimated resources to be less than budgeted as of December 31, 2010 .

Contrary to Ohio law, appropriations exceeded actual resources available as of December 31, 2010 by \$1,669,999 in the Capital Project Funds.

Contrary to Ohio law, during 2010, the budgetary expenditures exceeded the appropriation authority in the General Fund by \$40,142.



**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 3 - BUDGETARY ACTIVITY:-** (continued)

Budgetary activity for the year ending December 31, 2009 was as follows:

**2009 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,885,306	\$ 1,980,170	\$ 94,864
Special Revenue	573,820	585,805	11,985
Debt Service	222,056	0	( 222,056)
Capital Project	1,963,000	8,000	( 1,955,000)
Enterprise	<u>1,622,300</u>	<u>2,082,026</u>	<u>459,726</u>
<b>Total</b>	<b>\$ <u>6,266,482</u></b>	<b>\$ <u>4,656,001</u></b>	<b>\$ ( <u>1,610,481</u>)</b>

**2009 Budgeted VS. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,942,185	\$ 1,945,269	\$ ( 3,084)
Special Revenue	533,797	419,054	114,743
Debt Service	300,985	0	300,985
Capital Projects	1,396,980	7,755	1,389,225
Enterprise	<u>2,176,448</u>	<u>2,406,198</u>	<u>( 229,750)</u>
<b>Total</b>	<b>\$ <u>6,350,395</u></b>	<b>\$ <u>4,778,276</u></b>	<b>\$ <u>1,572,119</u></b>

\*Budgeted Receipts above were obtained from the Village's accounting system instead of their certificate of estimated resources. Appropriation Authority above was obtained from resolutions approved by Village Council instead of the appropriation resolution submitted to the county auditor. The Village never properly submitted their estimated resources or appropriations to the county auditor for approval. Also, reclassification of certain fund appropriations and estimated resources were necessary at year end based on fund classifications per the Village Officials.

The Village did not amend estimated resources or appropriations when it deemed the actual receipts would be much less than the budgeted receipts causing estimated resources to be less than budgeted as of December 31, 2009 .

Also contrary to Ohio law, appropriations exceeded actual resources available as of December 31, 2009 by \$300,985 and \$1,378,000 in the Debt Service Funds and Capital Project Funds, respectively.

Contrary to Ohio law, during 2009, the budgetary expenditures exceeded the appropriation authority in the General Fund by \$3,084 and the Enterprise Funds by \$229,750.

**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 4 - RESTATEMENT OF FUND BALANCE**

The restatement is due to a third party reconstruction and reconciliation of the Village's accounting records from January 1, 2005 through August 1, 2010 and had the following effect on the fund balances the Village had previously reported.

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>	<u>Enterprise</u>	<u>Agency</u>
Fund Balance at December 31, 2008	\$ 672,433	\$ 303,653	\$ 336,156	\$ 208,742	\$ 1,520,984	\$ 521,797	\$ 44,295
Change in Fund Balance	<u>13,108</u>	<u>( 8,551)</u>	<u>(336,156)</u>	<u>(197,762)</u>	<u>(529,361)</u>	<u>572,884</u>	<u>(44,295)</u>
<b>Adjusted Fund Balance at December 31, 2008</b>	<u>\$ 685,541</u>	<u>\$ 295,102</u>	<u>\$ -</u>	<u>\$ 10,980</u>	<u>\$ 991,623</u>	<u>\$ 1,094,681</u>	<u>\$ -</u>

**NOTE 5 - 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. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

The tangible personal property tax reimbursement is being phased out over the next few years.

**NOTE 6 - DEBT:-**

Debt outstanding at December 31, 2010, was as follows:

	<b>Principal Balance 12/31/2010</b>
Ohio Water Development Authority Loan 8.31%	\$ 795,956
Ohio Water Development Authority MTB Loan for Target Distribution Center 3.0%	579,776
Ohio Water Development Authority Loan 2.75%	2,574,735
Ohio Public Works Commission-Pearl Street Storm Sewer Loan 0%	83,716
Ohio Public Works Commission-Westside Relief Trunk Sewer Loan 0%	89,830
Bank One Leasing-WWTP Clarifier/Basin 3.529%	505,768
<b>Total</b>	<u>\$ 4,629,781</u>

**VILLAGE OF WEST JEFFERSON**  
**MADISON COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**NOTE 6 - DEBT**:- (continued)

During 1988, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA #1966) for the water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loan amount was for the amount of \$2,516,190 to the Village for this project. The loan will be repaid in semiannual installments of \$120,994 of principal and interest payments over 25 years. Interest is stated at 8.31% to the loan, however they also receive enhanced interest credit payments to reduce the interest to 7%. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements for this loan. As of December 31, 2009 and 2010, the total outstanding balances were \$958,308 and \$795,956, respectively.

During 1994, the Village entered into a loan agreement with OPWC for the reconstruction of a street storm sewer. The original loan amount was \$418,573. The loan bears an interest rate of 0.0% and is to be paid back over 20 years in semiannual installments of \$10,464. Payments on the outstanding balance began in 1994 and the final payment will be due July 1, 2014. As of December 31, 2009 and 2010, the total outstanding balances were \$104,643 and \$83,716, respectively.

During 1995, the Village entered into a loan agreement with OPWC for the reconstruction of a relief trunk sewer. The original loan amount was \$451,600. The loan bears an interest rate of 0.0% and is to be paid back over 20 years in semiannual installments of \$8,983. Payments on the outstanding balance began in 1995 and the final payment will be due January 1, 2016. As of December 31, 2009 and 2010, the total outstanding balances were \$107,799 and \$89,830, respectively.

During 2004, the Village entered into a loan agreement with OWDA (#3723). A company called MTB Corp. developed the area for the Target Distribution Center. MTB Corp. partnered with the Village to obtain financing from OWDA. The financing was used to construct a 250,000 gallon water tower and water and sewer line installation for the Target Distribution Center. Contractor's are billing MTB Corp. who is in turn sending the bills to the Village to be paid with the loan funds. MTB Corp. is then reimbursing the Village for the loan payments. The original amount encumbered was \$1,100,000. However, only \$704,393 was disbursed and used for the project. The loan bears an interest rate of 3.0% and is to be paid back over 15 years in semiannual installments of \$29,330. Payments on the outstanding balance begin January 1, 2009 and the final payment will be due July 1, 2018. As of December 31, 2009 and 2010, the total outstanding balances were \$643,012 and \$579,776.

During 2003, the Village entered into a lease with Bank One Leasing Corp. During 2003, Target Corp. wanted to build a distribution center in the Village. The Environmental Protection Agency stepped in and stated they would not give a permit to install anything until the sewer plant was upgraded. During heavy rainfall, the plant did not have the capacity to hold all the rain and rain would run off into a nearby creek. The EPA stated a holding tank called a clarifier basin was necessary before the distribution center could be built. The original amount of the lease was \$1,500,000. The lease bears an interest rate of 3.529% and is to be paid back over 10 years in annual installments of \$180,625.78. Payments on the outstanding balance began June 16, 2004 and the final payment will be due June 16, 2013. As of December 31, 2009 and 2010, the total outstanding balances were \$662,997 and \$505,768, respectively.

During 2007, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA #4748) for the water plant improvements project. The loan had current outstanding balance of \$2,838,245.31, bearing an interest rate at 2.75%. Current payments are \$185,447 including principal and interest. 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, the payment may be adjusted based upon the amount of the final loan amount.

**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 6 - DEBT:-** (continued)

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

<u>Year Ending December 31</u>	<u>OWDA Loan</u>	<u>OWDA Loan</u>	<u>Ohio Public Works Commission Loan</u>	<u>Ohio Public Works Commission Loan</u>	<u>Bank One Leasing</u>	<u>Total</u>
2011	\$ 241,987	\$ 82,055	\$ 17,966	\$ 20,929	\$ 180,626	\$ 543,563
2012	241,987	82,056	17,966	20,929	180,626	543,564
2013	241,987	82,056	17,966	20,929	180,626	543,564
2014	241,987	82,056	17,966	20,929	0	362,938
2015	0	82,056	17,966	0	0	100,022
2016 - 2020	<u>0</u>	<u>246,167</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>246,167</u>
Total	967,948	656,446	89,830	83,716	541,878	2,339,818
Less interest expense	<u>171,992</u>	<u>76,670</u>	<u>0</u>	<u>0</u>	<u>36,110</u>	<u>284,772</u>
Principal on above loans	<u>\$ 795,956</u>	<u>\$ 579,776</u>	<u>\$ 89,830</u>	<u>\$ 83,716</u>	<u>\$ 505,768</u>	<u>\$ 2,055,046</u>
2008 OWDA loan (no amortization available)						<u>2,574,735</u>
<b>Total principal</b>						<u><b>\$ 4,629,781</b></u>

**NOTE 7 - LOCAL INCOME TAXES:-**

This locally levied tax of 1 percent is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of West Jefferson and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to net income of business organizations operating within West Jefferson. The tax receipts amounted to \$2,075,056 in 2010 and \$1,722,173 in 2009.

**NOTE 8 - RETIREMENT SYSTEMS:-**

The Village's law enforcement officers belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2010 and 2009, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. For 2010 and 2009, PERS members contributed 10.0% of their gross salaries. The Village contributed an amount equal to 14.0% of participants' gross salaries for 2010 and 2009. The Village has paid all contributions required through December 31, 2010.

**NOTE 9 - RISK MANAGEMENT:-**

The Government is exposed to various risks of property and casualty losses, and injuries to employees. The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 9 - RISK MANAGEMENT**:- (continued)

The Government 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, 2010, PEP retained \$350,000 for casualty claims and \$150,000 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 retained earnings at December 31, 2010 and 2009:

	<b>2010</b>		<b>2009</b>
Assets	\$ 34,952,010	\$	36,374,898
Liabilities	( 14,320,812)	(	15,256,862)
<b>Net Assets</b>	<b>\$ 20,631,198</b>	<b>\$</b>	<b>21,118,036</b>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010, and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$27,148.

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.

<b>Contributions to PEP</b>		
2009	\$	30,721
2010	\$	29,191

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of 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.

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 10 - SUBSEQUENT EVENTS:-**

Management has evaluated subsequent events through February 29, 2012, the date which the financial statements were available to be issued.



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

Village Council  
Village of West Jefferson  
Madison County

We have audited the financial statements of the Village of West Jefferson, Madison County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated February 29, 2012, wherein we noted the Village follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We were unable to determine the completeness of the swimming pool receipts for 2010. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider findings 2010-001, 2010-002 and 2010-003 described in the accompanying schedule of findings to be material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated February 29, 2012.

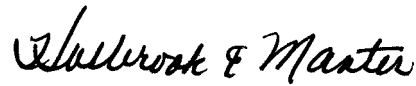
### Compliance and Other Matters

As part of obtaining reasonable assurance whether the Government'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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2010-004 through 2010-007.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated February 29, 2012.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Village Council and others within the Village. We intend it for no one other than these specified parties.



Certified Public Accountants

February 29, 2012



**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

<b>Finding Number</b>	<b>2010-001</b>
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**Material Weakness - Internal Control and Review Procedures**

Although the Council Members receive and review a select number of reports from the Finance Director of the Village for approval on a monthly basis, the Village has not established formal procedures to reasonably assure completeness, and accuracy of the monthly reporting. During our testing and analysis, we noted that the Village Council is not reviewing the numerical check sequence prior to signing the checks. In addition, they are not reviewing the bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdraws.

The Village should carefully review this information and make appropriate inquires to help determine the integrity of the financial information. When performing such review, the officials' signatures or initials and the date should be affixed to the documents examined and it should be noted in the monthly minutes that the officials' thoroughly reviewed and approved those documents. In addition, we also recommend that the numerical check sequence be noted in the minutes and signed off of by the Council each month.

**Officials' Response**

The Village's Finance Director will consider providing additional reports including a list of checks monthly to the Council for their review and signatures.

<b>Finding Number</b>	<b>2010-002</b>
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**Material Weakness - Record Retention**

During our examination and testing of expenditures, we noted that Village employees did not retain an invoice or other adequate support for a few of the expenditures tested in 2009 and we had to perform alternative procedures. Adequate documentation is a key element of an internal control system; this condition limits the control and accountability over Village expenditures and allows for the possibility of improper payment to occur. We advise that invoices for all expenditures be retained to support the proper public purpose of the payment.

During our examination and testing of revenue, we noted that Village employees did not retain an itemized receipt ledger or other adequate support for pool receipts tested in 2010 or 2009, however, we were able to perform alternative procedures for 2009. Adequate documentation is a key element of an internal control system. This condition limits the control and accountability over Village revenue and allows for the possibility of improper recording of revenue to occur. We advise that daily pool receipt ledgers be retained to support the proper deposit and proper recording of pool revenue.

**Officials' Response**

The Village is aware of the above issue and is currently reviewing the procedures to prevent this condition from occurring in the future.

**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

<b>Finding Number</b>	<b>2010-003</b>
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**Material Weakness - Posting Errors**

During revenue and expenditure testing, we noted instances of revenues and expenditures that were not recorded to the proper fund nor were they recorded in a timely manner. Also, several line items were not consistently classified from year to year.

The proper posting of revenues and expenditures are essential to ensure that funds are not over drawn and to ensure that the budget process is working properly and is a useful tool for management.

Procedures should be adopted to ensure that the Village posts revenues and expenditures timely and to the proper accounts during the year. We also recommend a more in depth review of the daily postings to help prevent some of these errors from occurring. The Village should verify that the report is mathematically accurate and it is in agreement with all of the Village's detail. The Village should better utilize handbooks to assist with the verification of proper account codes and classification in the preparation of the annual report and recording of daily activities.

**Official's Response:**

The Village is aware of this issue and will attempt to monitor and modify the Village's procedures to properly record expenditures and revenues and to record them in a more timely manner.

<b>Finding Number</b>	<b>2010-004</b>
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**Noncompliance Citation – Amending Certificates of Estimated Resources**

Ohio Revised Code, Section 5705.36, allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the Finance Director that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

During our compliance testing, we noted that the Village did not amend estimated resources as outlined above. We recommend that the Fiscal Officer monitor estimated resources throughout the year and obtain amendments from the county budget commission as necessary.

**Officials' Response**

The Village is aware of this issue and will attempt to monitor and modify the Village's procedures to properly obtain amendments for the estimated resources as deemed necessary.

**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2010-005</b>
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**Noncompliance Citation – Appropriations Exceeding Estimated Resources**

Ohio Revised Code, Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue as certified by the county budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Village’s appropriations exceeded estimated resources as of December 31, 2010 and 2009, as outlined in Note 3 of the financial statements.

We recommend the Village Council and Finance Director periodically review the Village’s appropriations versus certified estimated resources to identify and investigate any variances and to help monitor legal compliance. The Village officials should ensure that the Village has properly prepared and submitted all required budgetary documents to the county auditor. Also, each time appropriations are adopted or amended, the Village should ensure the certificate of the County Auditor is received indicating appropriations do not exceed certified resources.

**Officials’ Response**

When supplemental appropriations are approved by the Village Council the Finance Director will submit the appropriate paperwork with the County Auditor.

<b>Finding Number</b>	<b>2010-006</b>
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**Non Compliance Citation - Expenditures Exceed Appropriations**

Ohio Revised Code, Section 5705.41 (B), requires that no subdivision or taxing unit is to expend money unless it has been appropriated. In addition, Section 5705.41 (C) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Finance Director that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

During compliance testing for 2010 and 2009, it was noted that the budgetary expenditures exceeded appropriations throughout the year within the General Fund and the Enterprise Funds. This condition limits the effectiveness of the Village’s compliance and budgetary controls and may result in overspending of the available funds. To prevent this from occurring, we recommend the Finance Director properly budget to the appropriate funds within all Fund types. In addition, Council should approve all increases to appropriations through a resolution and the Finance Director then prepares an amendment to the original appropriation of expenditures.

**Officials’ Response**

The Village is aware of this issue and will attempt to monitor and modify the Village’s procedures to properly obtain amendments for the appropriations as deemed necessary.

**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

<b>Finding Number</b>	<b>2010-007</b>
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**Non Compliance Citation – Cash Advances**

Though no statutory provisions directly address inter-fund *advances*, the following requirements are in part derived from Ohio Rev. Code Sections: 5705.10 (restriction on the purpose for which funds may be used); 5705.14, 5705.15, and 5705.16 (transfer of funds); 5705.39 (appropriations limited to estimated resources); 5705.41 (restriction on appropriation/ expenditure of money); and 5705.36 (certification of available revenue). Auditor of State Bulletin 97-003 sets forth the requirements for inter-fund advances and provides additional guidance for recording such transactions.

Advances require repayment within the current or succeeding year, do not require appropriation as advances represent a temporary reallocation of cash from one fund to another and involves an expectation of repayment, and if it is determined that the advance should be treated as a transfer there are additional steps to follow to complete the transaction.

During compliance testing for 2010 and 2009, it was noted the Village had outstanding advances that had not been paid back as of the date of this report which exceeds the current or succeeding year that the advances were approved by Council. The Capital Projects Funds, Water Funds, and Sewer Funds owe the General Fund \$61, \$50,000, and \$150,000, respectively. The Village should maintain a schedule of advances and be mindful of the time frame when the advances should be paid back and if it is determined that the funds are not available to be paid back Council should consider approving the advances to be reallocated as transfers and follow the necessary steps to adjust the accounting records and the budgetary records.

**Officials' Response**

The Village is aware of this issue and will attempt to monitor and modify the Village's procedures to properly repay advances within a reasonable amount of time.

**VILLAGE OF WEST JEFFERSON  
MADISON COUNTY  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	Significant Deficiency- Internal Control and Review Procedures	No	Repeated as finding 2010-001.
2008-002	ORC 5705.41 (D) - Failure to properly use fiscal certificates	No	Significantly different corrective action taken. Repeated in management letter.
2008-003	Significant Deficiency- Material Weakness- Reconciliation of Bank to Book Balances	Yes	Significantly different corrective action taken. Hired LGS to reconstruct books from 2005 through mid 2010.
2008-004	ORC 5705.40 - Amending or Supplementing Appropriations	Yes	Finding no longer valid.
2008-005	ORC 5705.36 - Amending Certificate of Estimated Resources	No	Repeated as finding 2010-004.
2008-006	ORC 5705.39 - Appropriations Exceed Estimated Resources	No	Repeated as finding 2010-005.
2008-007	Significant Deficiency- Material Weakness- Posting Errors	No	Repeated as finding 2010-003.
2008-008	ORC 5705.41(B) - Expenditures Exceed Appropriations	No	Repeated as finding 2010-006.

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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  
AUGUST 28, 2012