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**VILLAGE OF WEST UNION
ADAMS COUNTY
Regular Audit
For the Years Ended December 31, 2016 and 2015**

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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Village Council
Village of West Union
P.O. Box 395
West Union, Ohio 45693

We have reviewed the *Independent Auditor's Report* of the Village of West Union, Adams County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

July 26, 2017

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VILLAGE OF WEST UNION
ADAMS COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 12, 2017

Village of West Union
Adams County
P.O. Box 395
West Union, Ohio 45693

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 Union**, Adams 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 Union, Adams 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 12, 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 UNION
ADAMS 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 49,036	\$ 125,154	\$ 174,190
Municipal Income Tax	705,342	-	705,342
Intergovernmental	48,364	100,028	148,392
Charges for Services	578	108,582	109,160
Fines, Licenses and Permits	82,277	3,126	85,403
Earnings on Investments	3,262	238	3,500
Miscellaneous	18,303	1,681	19,984
<i>Total Cash Receipts</i>	<u>907,162</u>	<u>338,809</u>	<u>1,245,971</u>
Cash Disbursements			
Current:			
Security of Persons and Property	407,884	138,140	546,024
Public Health Services	7,232	4,563	11,795
Transportation	209,996	72,749	282,745
General Government	398,406	79	398,485
Capital Outlay	97,547	-	97,547
<i>Total Cash Disbursements</i>	<u>1,121,065</u>	<u>215,531</u>	<u>1,336,596</u>
<i>Excess of Receipts Over Disbursements</i>	<u>(213,903)</u>	<u>123,278</u>	<u>(90,625)</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	-	1,000	1,000
Other Financing Uses	(12,371)	-	(12,371)
<i>Net Change in Fund Cash Balances</i>	(226,274)	124,278	(101,996)
<i>Fund Cash Balances, January 1</i>	<u>1,168,820</u>	<u>307,431</u>	<u>1,476,251</u>
Fund Cash Balances, December 31			
Restricted	-	431,709	431,709
Assigned	214,838	-	214,838
Unassigned	727,708	-	727,708
<i>Fund Cash Balances, December 31</i>	<u>\$ 942,546</u>	<u>\$ 431,709</u>	<u>\$ 1,374,255</u>

**VILLAGE OF WEST UNION
ADAMS 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 Types	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 1,510,354	\$ -	\$ 1,510,354
<i>Total Operating Cash Receipts</i>	<u>1,510,354</u>	<u>-</u>	<u>1,510,354</u>
Operating Cash Disbursements			
Personal Services	234,433	-	234,433
Employee Fringe Benefits	113,218	-	113,218
Contractual Services	156,941	-	156,941
Supplies and Materials	133,191	-	133,191
Other	350,442	-	350,442
<i>Total Operating Cash Disbursements</i>	<u>988,225</u>	<u>-</u>	<u>988,225</u>
<i>Operating Income</i>	<u>522,129</u>	<u>-</u>	<u>522,129</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	44,841	-	44,841
Other Debt Proceeds	190,820	-	190,820
Miscellaneous Receipts	14,596	-	14,596
Capital Outlay	(190,820)	-	(190,820)
Principal Retirement	(279,793)	-	(279,793)
Interest and Other Fiscal Charges	(99,276)	-	(99,276)
Other Financing Uses	(44,841)	-	(44,841)
Other Non-Operating Receipts	-	77,518	77,518
Other Non-Operating Disbursements	-	(77,518)	(77,518)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(364,473)</u>	<u>-</u>	<u>(364,473)</u>
<i>Income before Transfers</i>	157,656	-	157,656
Transfers In	391,500	-	391,500
Transfers Out	(391,500)	-	(391,500)
<i>Net Change in Fund Cash Balances</i>	157,656	-	157,656
<i>Fund Cash Balances, January 1</i>	<u>342,946</u>	<u>-</u>	<u>342,946</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 500,602</u>	<u>\$ -</u>	<u>\$ 500,602</u>

**VILLAGE OF WEST UNION
ADAMS 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	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 45,810	\$ 119,157	\$ -	\$ 164,967
Municipal Income Tax	649,012	-	-	649,012
Intergovernmental	48,340	99,851	-	148,191
Special Assessments	12,750	-	-	12,750
Charges for Services	915	108,644	-	109,559
Fines, Licenses and Permits	103,800	3,820	-	107,620
Earnings on Investments	3,073	235	-	3,308
Miscellaneous	16,518	8,148	-	24,666
	Total Cash Receipts	339,855	-	1,220,073
Cash Disbursements				
Current:				
Security of Persons and Property	433,689	160,578	-	594,267
Public Health Services	7,191	15,901	-	23,092
Community Environment	29,580	-	-	29,580
Transportation	82,977	94,459	-	177,436
General Government	324,055	584	-	324,639
Capital Outlay	67,564	-	-	67,564
Debt Service:				
Interest and Fiscal Charges	-	-	2,960	2,960
	Total Cash Disbursements	271,522	2,960	1,219,538
<i>Excess of Receipts Over Disbursements</i>	<u>(64,838)</u>	<u>68,333</u>	<u>(2,960)</u>	<u>535</u>
Other Financing Receipts (Disbursements)				
Transfers Out	(43,000)	-	-	(43,000)
Other Financing Uses	(10,775)	-	-	(10,775)
	Net Change in Fund Cash Balances	68,333	(2,960)	(53,240)
<i>Fund Cash Balances, January 1</i>	<u>1,287,433</u>	<u>239,098</u>	<u>2,960</u>	<u>1,529,491</u>
Fund Cash Balances, December 31				
Restricted	-	307,431	-	307,431
Assigned	684,150	-	-	684,150
Unassigned	484,670	-	-	484,670
	Fund Cash Balances, December 31	\$ 307,431	\$ -	\$ 1,476,251
	\$ 1,168,820	\$ 307,431	\$ -	\$ 1,476,251

**VILLAGE OF WEST UNION
ADAMS 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 Types	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 1,458,262	\$ -	\$ 1,458,262
<i>Total Operating Cash Receipts</i>	<u>1,458,262</u>	<u>-</u>	<u>1,458,262</u>
Operating Cash Disbursements			
Personal Services	209,706	-	209,706
Employee Fringe Benefits	88,218	-	88,218
Contractual Services	117,979	-	117,979
Supplies and Materials	221,515	-	221,515
Other	360,877	-	360,877
<i>Total Operating Cash Disbursements</i>	<u>998,295</u>	<u>-</u>	<u>998,295</u>
<i>Operating Income</i>	<u>459,967</u>	<u>-</u>	<u>459,967</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	1,686	-	1,686
Special Assessments	44,319	-	44,319
Other Debt Proceeds	1,414,762	-	1,414,762
Miscellaneous Receipts	15,878	-	15,878
Capital Outlay	(1,414,762)	-	(1,414,762)
Principal Retirement	(309,594)	-	(309,594)
Interest and Other Fiscal Charges	(125,402)	-	(125,402)
Other Financing Uses	(44,319)	-	(44,319)
Other Non-Operating Receipts	-	100,596	100,596
Other Non-Operating Disbursements	-	(100,596)	(100,596)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(417,432)</u>	<u>-</u>	<u>(417,432)</u>
<i>Income (Loss) before Transfers</i>	42,535	-	42,535
Transfers In	405,101	-	405,101
Transfers Out	(362,101)	-	(362,101)
<i>Net Change in Fund Cash Balances</i>	85,535	-	85,535
<i>Fund Cash Balances, January 1</i>	<u>257,411</u>	<u>-</u>	<u>257,411</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 342,946</u>	<u>\$ -</u>	<u>\$ 342,946</u>

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 1 – Reporting Entity

The Village of West Union (the Village), Adams 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, police and fire protection, road maintenance and general government services. The Village contracts with West Union Volunteer Fire Squad, Inc. to receive emergency management services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

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

The Village is associated with a related organization. Note 13 to the financial statements provides additional information for this entity.

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

Fire Operating Levy Fund – This fund receives local taxes and revenues from contracts with other political subdivisions to provide fire protection services.

Emergency Medical Services Fund – This fund receives receipts through charges for services to provide security of persons and property.

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Fire Bond Fund – This fund receives tax monies collected for the retirement of loans related to fire equipment.

Enterprise Funds

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

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

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

Water Supply & Revolving Loan Fund – This fund receives debt proceeds from the Ohio Water Development Authority to cover debt payments for water projects.

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 Mayor's Court fines and forfeitures.

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.

VILLAGE OF WEST UNION
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

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

A summary of 2016 and 2015 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

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

Note 3 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 819,120	\$ 907,162	\$ 88,042
Special Revenue	356,545	339,809	(16,736)
Enterprise	2,196,743	2,126,995	(69,748)
Total	\$ 3,372,408	\$ 3,373,966	\$ 1,558

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,743,799	\$ 1,144,133	\$ 599,666
Special Revenue	380,358	224,320	156,038
Enterprise	2,319,592	2,044,394	275,198
Total	\$ 4,443,749	\$ 3,412,847	\$ 1,030,902

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)**

Note 3 – Budgetary Activity (Continued)

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 829,470	\$ 880,218	\$ 50,748
Special Revenue	335,895	339,855	3,960
Enterprise	3,844,700	3,323,410	(521,290)
Total	\$ 5,010,065	\$ 4,543,483	\$ (466,582)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,364,785	\$ 1,000,560	\$ 364,225
Special Revenue	349,811	273,160	76,651
Debt Service	2,960	2,960	-
Enterprise	3,961,801	3,269,655	692,146
Total	\$ 5,679,357	\$ 4,546,335	\$ 1,133,022

Note 4 – Deposits

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

	2016	2015
Demand deposits	\$ 1,818,852	\$ 1,763,578
Certificates of deposit	56,005	55,619
Total deposits	\$ 1,874,857	\$ 1,819,197

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.

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

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)**

Note 6 – Income Taxes

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

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

Note 7 – Risk Management

Risk Pool Membership

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, 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 and 2015.

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

VILLAGE OF WEST UNION
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 7 – Risk Management (Continued)

Risk Pool Membership

At December 31, 2015 and 2016, respectively the liabilities above include approximately \$11.5 million and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million and \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 499 members in 2015 and 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 \$34,000.

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

<u>2016 Contributions to PEP</u>	
<u>2016</u>	<u>2015</u>
\$54,689	\$52,263

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

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 11.5% from January 1, 2015 to June 30, 2015, 12.25% from July 1, 2015 to December 31, 2016 of their wages. For 2016 and 2015, the Village contributed to OP&F an amount equal to 19.5% of police participant wages. 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.

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 UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)**

Note 10 - Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest</u>
USDA Rural Development Sewer Bond Issue - 1995	\$ 824,300	4.50%
OWDA Manchester Water Line Loan 2133 - 1999	383,281	5.86%
OWDA East Side Sewer Line Loan 3365 - 2001	93,214	2.20%
OWDA Main Steet Water Main Replacement Loan 6448 - 2013	1,273,972	1.99%
OWDA Water System Improvements Loan 6811 - 2014	1,860,714	1.50%
5/3 Bank Water/Sewer Refinance Bonds - 2003	255,000	3.5% - 5.25%
Total	<u>\$ 4,690,481</u>	

The USDA Rural Development Sewer Bond Issues were issued in 1995 for \$1,200,000 and \$563,000 respectively. Proceeds were used to rehabilitate the Village's wastewater treatment plant and other system components. The two bond issues mature in varying amounts from \$21,800 in 2011 to \$67,200 in 2034 and \$35,900 in 2011 to \$42,800 in 2015, respectively. Payments are made from the Sewer Debt Service Fund.

The Village obtained loans from the Ohio Water Development Authority for \$940,000 and \$399,677, respectively for certain water and sewer line construction projects. Upon completion of the projects, actual loan balances were adjusted to final costs and payments made through the date the loans were finalized were considered in establishing final payment amortization amounts. Payments of principal and interest from the Water and Sewer Debt Service Funds are payable semi-annually through 2021 and 2023 respectively.

During 2003, the Village issued a \$1,500,000 refunding issue to consolidate several previously issued bonds related to the water and sewer systems. The water system is responsible for 33 percent of the refunding bonds while the sewer system is responsible for 67 percent. The bonds mature in varying amounts from \$95,000 in 2011 to \$130,000 in 2018. Payments are made from the Water and Sewer Debt Service Funds.

The Village entered into an OWDA Main Street Replacement Loan #6448 approved on April 25, 2013 at 1.99%, in the amount of \$1,457,561. The Village has agreed to set utility rates sufficient to cover the debt. Payments are made from the Water Debt Service Fund.

The Village entered into an OWDA Water Systems Improvement Loan #6811 approved on August 28, 2014 at 1.50%, in the amount of \$1,647,350. As of December 31, 2016, \$1,817,938 has been drawn down on the loan and \$42,014 in capitalized interest has accrued, bringing the total outstanding balance of the loan to \$1,860,714. The Village has agreed to set utility rates sufficient to cover the debt. As of December 31, 2016, the loan has not been amortized; therefore the future funding requirements for the retirement of this loan have not been included in the amortization schedule below. Payments are scheduled to be made from the Water Debt Service Fund.

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)**

Note 10 – Debt (Continued)

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

Year Ending December 31	Sewer Bonds #92-07	OWDA Loan #6448	OWDA Loan #2133	OWDA Loan #3365	5th/3rd Refinance Bonds
2017	\$ 66,394	\$ 88,698	\$ 65,535	\$ 24,472	\$ 138,069
2018	66,475	88,698	66,469	24,472	136,663
2019	66,793	88,698	67,458	24,472	-
2020	66,835	88,698	68,504	24,472	-
2021	67,010	88,698	69,612	-	-
2022-2026	327,945	433,490	106,480	-	-
2027-2031	343,768	433,490	-	-	-
2032-2034	209,563	354,792	-	-	-
Total	<u>\$ 1,214,783</u>	<u>\$ 1,665,262</u>	<u>\$ 444,058</u>	<u>\$ 97,888</u>	<u>\$ 274,732</u>

Note 11 - Transfers

During 2016, the following transfers were made:

	<u>Transfers - In</u>	<u>Transfers - Out</u>
Water Operating Fund	\$ -	\$ (213,000)
Water Debt Fund	213,000	-
Sewer Operating Fund	-	(178,500)
Sewer Debt Fund	178,500	-
	<u>\$ 391,500</u>	<u>\$ (391,500)</u>

A transfer was made from the Water Operating Fund to its corresponding Water Debt Fund in accordance with the Village's resolution #2005-1. A transfer was made from the Sewer Operating Fund to its corresponding Sewer Debt Fund in accordance with the Village's resolution #2005-2. The transfers were deemed allowable.

During 2015, the following transfers were made:

	<u>Transfers - In</u>	<u>Transfers - Out</u>
General	\$ -	\$ (43,000)
Water Operating Fund	-	(181,601)
Water Debt Fund	181,601	-
Sewer Operating Fund	-	(180,500)
Sewer Debt Fund	223,500	-
	<u>\$ 405,101</u>	<u>\$ (405,101)</u>

A transfer was made from the Water Operating Fund to its corresponding Water Debt Fund in accordance with the Village's resolution #2005-1. A transfer was made from the Sewer Operating Fund to its corresponding Sewer Debt Fund in accordance with the Village's resolution #2005-2. The transfers were deemed allowable. A transfer was made from the General Fund to the Sewer Debt Fund for the repayment of Sewer Debt.

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)**

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 13 – Related Organizations

The Village's volunteer fire department established the West Union Firemen's Building Association, a non-profit organization, for the purpose of owning a building to house the fire-fighting equipment owned by the Village. The President of the Association is also an employee of the Village. The Village pays the Association a monthly fee for this equipment storage.

Note 14 – EMS Agreement

By an agreement dated April 28, 2009, the Adams County Commissioners and the Village of West Union agreed that, effective May 1, 2009, in exchange for the County providing monthly funding of \$4,651.71 respectively of EMS Levy funds beginning May 1, 2009 for at least until November 2011. The Village and the Adams County Commissioners re-entered into the same agreement on January 9, 2012, for at least until November 2016. The agreement was renewed in January 2017 with the same terms. The Village is to provide EMS services covering the Villages of West Union and Liberty, Tiffin, Brush Creek and Jefferson Townships in Adams County, Ohio. The Village further agreed to be wholly responsible to continue to provide such services in the event that the current EMS Levy or renewal levies cease. The levy was approved during 2010 for an additional 5 years. The County provided to the Village titles to EMS vehicles for such services. The Village utilizes an outside service entity to provide EMS services.



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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 12, 2017

Village of West Union
Adams County
P.O. Box 395
West Union, Ohio 45693

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 Union**, Adams 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 12, 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 Village's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify 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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• Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

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

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 12, 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 UNION
ADAMS 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

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund balances should be properly classified based on Governmental Accounting Standards Board 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:

- Mayor's Court activity was not recorded in the agency fund within UAN in 2016 and 2015;
- Disbursements for the sewer lift station were reclassified from Basic Utility Services to Capital Outlay in the General Fund in 2016 and 2015;
- Disbursements for 3 new police cruisers were reclassified from Other Financing Uses to Capital Outlay in the General Fund in 2016;
- A permissive tax receipt was improperly posted to the Street Construction, Maintenance and Repair Fund in 2016;
- Debt proceeds were not properly recorded during 2016 and 2015;
- Debt payments were not always properly recorded during 2016 and 2015;
- Subsequent year appropriations that exceeded estimated receipts in the General Fund were reclassified from Unassigned to Assigned in the General Fund in 2016 and 2015.

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

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

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

**VILLAGE OF WEST UNION
ADAMS 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; <i>Explain</i>
2014-001	Posting Receipts, Disbursements and Classification of Fund Balances	No	Repeated Finding 2016-001
2014-002	Ohio Revised Code Section 9.38	Yes	N/A



Dave Yost • Auditor of State

VILLAGE OF WEST UNION

ADAMS 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 8, 2017