

VILLAGE OF WEST JEFFERSON
MADISON COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003



**Auditor of State
Betty Montgomery**

Village Council
Village of West Jefferson
28 East Main Street
Box 48
West Jefferson, Ohio 43162-1295

We have reviewed the *Independent Auditor's Report* of the Village of West Jefferson, Madison County, prepared by Holbrook & Manter, CPAs, for the audit period January 1, 2003 to December 31, 2004. 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 Auditor's 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 Auditor's 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 3, 2005

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INDEPENDENT AUDITORS' 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, 2004 and 2003. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 that our audits provide a reasonable basis for our opinion.

As discussed 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 determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially confirm to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, 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, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2004. The Government 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 a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2005 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.



Certified Public Accountants

August 22, 2005
Marion, Ohio

**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, 2004

	GOVERNMENT FUND TYPES				(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	Total
CASH RECEIPTS:					
Local taxes	\$ 771,536	\$ 63,768	\$ 0	\$ 510,146	\$ 1,345,450
Intergovernmental	151,304	222,600	0	700,556	1,074,460
Charges for services	138,133	0	0	22,689	160,822
Special assessments	17,489	0	0	0	17,489
Fines, licenses, and permits	30,312	1,157	0	0	31,469
Earnings on investments	10,916	581	0	2,885	14,382
Miscellaneous	9,751	0	0	0	9,751
Total cash receipts	1,129,441	288,106	0	1,236,276	2,653,823
CASH DISBURSEMENTS:					
Current:					
Security of persons and property	845,431	42,743	0	0	888,174
Leisure time activities	32,195	0	0	0	32,195
Community environment	51,975	0	0	0	51,975
Transportation	0	256,146	0	0	256,146
General government	531,739	0	0	0	531,739
Capital outlay	0	0	0	1,795,853	1,795,853
Debt service	0	0	234,555	0	234,555
Total cash disbursements	1,461,340	298,889	234,555	1,795,853	3,790,637
Total receipts over (under) cash disbursements	(331,899)	(10,783)	(234,555)	(559,577)	(1,136,814)
Other financing receipts (disbursements):					
Transfers - in	0	0	234,555	0	234,555
Transfers - out	(53,929)	0	0	(180,626)	(234,555)
Total other financing receipts (disbursements)	(53,929)	0	234,555	(180,626)	0
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(385,828)	(10,783)	0	(740,203)	(1,136,814)
Fund cash balances January 1, 2004	900,033	76,099	0	1,113,412	2,089,544
Fund cash balances, December 31, 2004	\$ 514,205	\$ 65,316	\$ 0	\$ 373,209	\$ 952,730
Reserve for encumbrances, December 31, 2004	\$ 14,136	\$ 11,125	\$ 0	\$ 158,000	\$ 183,261

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 FUND TYPE-
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for services	\$ 1,221,277
Miscellaneous	85
	1,221,362
Total operating cash receipts	1,221,362
OPERATING CASH DISBURSEMENTS:	
Personal services	316,521
Travel transportation	0
Contractual services	338,811
Supplies and materials	297,411
Capital outlay	13,993
	966,736
Total operating cash disbursements	966,736
Operating income	254,626
NON-OPERATING CASH RECEIPTS:	
Special assessments	2,137
Interest	4,178
Miscellaneous	435
	6,750
Total non-operating cash receipts	6,750
NON-OPERATING CASH DISBURSEMENTS:	
Debt service	(127,813)
	(121,063)
Total non-operating cash disbursements	(121,063)
Excess of receipts over disbursements before interfund transfers and advances	133,563
Transfers-in	30,000
Transfers-out	(30,000)
	133,563
Net receipts over disbursements	133,563
Fund cash balances, January 1, 2004	425,616
Fund cash balances, December 31, 2004	\$ 559,179
Reserve for encumbrances, December 31, 2004	\$ 20,599

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, 2003

	GOVERNMENT FUND TYPES				(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	Total
CASH RECEIPTS:					
Local taxes	\$ 763,392	\$ 63,097	\$ 0	\$ 504,775	\$ 1,331,264
Intergovernmental	156,734	217,784	0	0	374,518
Charges for services	184,766	0	0	0	184,766
Special assessments	18,212	15,913	0	0	34,125
Fines, licenses, and permits	29,889	1,303	0	0	31,192
Interest	13,646	729	0	3,698	18,073
Miscellaneous	10,584	0	0	10,000	20,584
Total cash receipts	1,177,223	298,826	0	518,473	1,994,522
CASH DISBURSEMENTS:					
Current:					
Security of persons and property	848,640	30,047	0	0	878,687
Public health services	0	0	0	0	0
Leisure time activities	38,208	0	0	0	38,208
Community environment	74,216	0	0	0	74,216
Transportation	0	271,309	0	0	271,309
General government	449,084	0	0	0	449,084
Capital outlay	0	0	0	1,316,981	1,316,981
Debt service	0	0	20,929	0	20,929
Total cash disbursements	1,410,148	301,356	20,929	1,316,981	3,049,414
Total receipts over (under) cash disbursements	(232,925)	(2,530)	(20,929)	(798,508)	(1,054,892)
Other financing receipts (disbursements):					
Transfers - in	822	0	20,929	0	21,751
Transfers - out	(20,929)	0	(822)	0	(21,751)
Other financing sources	0	0	0	1,000,000	1,000,000
Other financing uses	0	0	0	(1,000,000)	(1,000,000)
Other debt proceeds	0	0	0	1,500,000	1,500,000
Total other financing receipts (disbursements)	(20,107)	0	20,107	1,500,000	1,500,000
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	(253,032)	(2,530)	(822)	701,492	445,108
Fund cash balances January 1, 2003	1,153,065	78,629	822	411,920	1,644,436
Fund cash balances, December 31, 2003	\$ 900,033	\$ 76,099	\$ 0	\$ 1,113,412	\$ 2,089,544
Reserve for encumbrances, December 31, 2003	\$ 2,701	\$ 1,500	\$ 0	\$ 38,675	\$ 42,876

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 FUND TYPE-
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for services	\$ 1,214,305
Total operating cash receipts	1,214,305
OPERATING CASH DISBURSEMENTS:	
Personal services	306,930
Travel transportation	0
Contractual services	346,027
Supplies and materials	241,710
Capital outlay	0
Total operating cash disbursements	894,667
Operating income	319,638
NON-OPERATING CASH RECEIPTS:	
Special assessments	2,964
Intergovernmental revenues	0
Interest	4,751
Miscellaneous	16,391
Total non-operating cash receipts	24,106
NON-OPERATING CASH DISBURSEMENTS:	
Debt service	(248,807)
Total non-operating cash disbursements	(248,807)
Excess of receipts over disbursements before interfund transfers and advances	94,937
Transfers-in	30,000
Transfers-out	(30,000)
Net receipts over disbursements	94,937
Fund cash balances, January 1, 2003	330,679
Fund cash balances, December 31, 2003	\$ 425,616
Reserve for encumbrances, December 31, 2003	\$ 8,718

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, 2004 AND 2003

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** – Certificates of deposit are valued 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.

Enforcement Education Fund

This fund receives collections of fines, licenses and permits.

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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

Cops Grant

This fund receives a grant to compensate a police salary.

Debt Service Funds

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

Bond Redemption Fund

This fund receives proceeds from the General Fund and is used to pay the debt on the bond redemption.

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).

Other Capital Projects Fund

This fund receives income tax revenue to maintain major capital projects.

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.

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.

- 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.

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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

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 2004 and 2003 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>2004</u>	<u>2003</u>
Demand deposits	\$ 161,123	\$ 74,752
Total deposits	<u>161,123</u>	<u>74,752</u>
STAR Ohio	187	187
Huntington Bank money market	1,350,599	1,533,186
Bank One money market	<u>0</u>	<u>907,035</u>
Total investments	<u>1,350,786</u>	<u>2,440,408</u>
Total deposits and investments	<u>\$ 1,511,909</u>	<u>\$ 2,515,160</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, 2004 AND 2003**

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2004 was as follows:

2004 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,055,000	\$ 1,129,441	\$ 74,441
Special Revenue	273,150	288,106	14,956
Debt Service	218,055	234,555	16,500
Capital Project	1,624,500	1,236,276	(388,224)
Enterprise	<u>1,161,100</u>	<u>1,258,112</u>	<u>97,012</u>
Total	<u>\$ 4,331,805</u>	<u>\$ 4,146,490</u>	<u>\$ (185,315)</u>

2004 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,530,438	\$ 1,529,405	\$ 1,033
Special Revenue	296,589	310,014	(13,425)
Debt Service	218,055	234,555	(16,500)
Capital Projects	2,545,751	2,134,479	411,272
Enterprise	<u>1,315,969</u>	<u>1,145,148</u>	<u>170,821</u>
Total	<u>\$ 5,906,802</u>	<u>\$ 5,353,601</u>	<u>\$ 553,201</u>

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

Budgetary activity for the year ending December 31, 2003 was as follows:

2003 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 940,800	\$ 1,178,045	\$ 237,245
Special Revenue	299,876	298,826	(1,050)
Debt Service	21,000	20,929	(71)
Capital Project	4,351,605	3,018,473	(1,333,132)
Enterprise	<u>1,249,429</u>	<u>1,268,411</u>	<u>18,982</u>
Total	<u>\$ 6,862,710</u>	<u>\$ 5,784,684</u>	<u>\$ (1,078,026)</u>

2003 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,732,777	\$ 1,433,778	\$ 298,999
Special Revenue	328,764	302,856	25,908
Debt Service	20,929	21,751	(822)
Capital Projects	1,155,900	2,355,656	(1,199,756)
Enterprise	<u>1,348,062</u>	<u>1,182,192</u>	<u>165,870</u>
Total	<u>\$ 4,586,432</u>	<u>\$ 5,296,233</u>	<u>\$ (709,801)</u>

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

NOTE 4 – PROPERTY TAX:-

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

NOTE 5 - DEBT:-

Debt outstanding at December 31, 2004, was as follows:

	<u>Principal Balance 12/31/2004</u>
Ohio Water Development Authority Loan 8.31%	\$ 1,601,269
Ohio Water Development Authority MTB Loan for Target Distribution Center 3.0%	704,393
Ohio Public Works Commission-Pearl Street Storm Sewer Loan 0%	209,286
Ohio Public Works Commission-Westside Relief Trunk Sewer Loan 0%	197,629
Bank One Leasing-WWTP Clarifier/Basin 3.529%	<u>1,372,309</u>
Total	<u><u>\$ 4,084,886</u></u>

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved up to \$2,516,190 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$120,994, including interest, over 25 years with the final payment due on July 1, 2014. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. As of December 31, 2004 and 2003, the total outstanding balances were \$1,601,269 and \$1,651,551, 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, 2004 and 2003, the total outstanding balances were \$209,286 and \$230,215, respectively.

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

NOTE 5 – DEBT:- (continued)

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 July 1, 2015. As of December 31, 2004 and 2003, the total outstanding balances were \$197,629 and 215,595, respectively.

During 2004, the Village entered into a loan agreement with OWDA. The financing was used to construct a 250,000 gallon water tower and water and sewer line installation for the Target Distribution Center. 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. Semiannual payments of interest only are to be made from July 1, 2004 until July 1, 2008. Semiannual payments of principal and interest begin January 1, 2009 and the final payment will be due July 1, 2018. As of December 31, 2004, the total outstanding balance was \$704,393.

During 2003, the Village entered into a lease with Bank One Leasing Corp for a clarifier basin. 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 \$180,626. Payments on the outstanding balance began June 16, 2004 and the final payment will be due June 16, 2013. As of December 31, 2004 and 2003, the total outstanding balances were \$1,372,309 and \$1,500,000, respectively.

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

Year Ending December 31	OWDA Loan	OWDA Loan	Ohio Public Works Commission Loan	Ohio Public Works Commission Loan	Bank One Leasing	Total
2005	\$ 241,987	\$ 21,132	\$ 17,966	\$ 20,928	\$ 180,626	\$ 482,639
2006	241,987	21,132	17,966	20,928	180,626	482,639
2007	241,987	21,132	17,966	20,928	180,626	482,639
2008	241,987	21,132	17,966	20,928	180,626	482,639
2009	241,987	82,056	17,966	20,928	180,626	543,563
2010 - 2014	1,209,935	410,278	107,799	104,646	722,502	2,555,160
2015 - 2019	0	328,223	-	-	0	328,223
Total	2,419,870	905,085	197,629	209,286	1,625,632	5,357,502
Less interest expense	818,601	200,692	-	-	253,323	1,272,616
Total principal	\$ 1,601,269	\$ 704,393	\$ 197,629	\$ 209,286	\$ 1,372,309	\$ 4,084,886

**VILLAGE OF WEST JEFFERSON
MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

NOTE 6 – 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 are credited to the General Fund and amounted to \$1,261,938 in 2004 and \$1,275,364 in 2003.

NOTE 7 – RETIREMENT SYSTEMS:-

The Villages 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 2004 and 2003, members of PFDPF contributed 10.1% of their wages to the PFDPF. The Village contributed an amount equal to 16.7% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

NOTE 8 – RISK MANAGEMENT:-

The Village belongs to the Public Entities Pool of Ohio (PEP), a public entity group self-insurance program that provides property and liability coverage to public entities in the State of Ohio. The following risks are covered by the self-insurance program:

- Comprehensive property and general liability
- Errors and Omissions
- Vehicles
- Public Official Liability

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

NOTE 9 – CONTINGENCY:-

The Village is involved in a litigation matter where an unrelated party is asserting contract damages related to construction improvements to the Village's Sanitary Sewer Treatment Plan. Amounts asserted are \$275,000 plus pre-judgment interest accruing from the date the payment was due, plus post-judgment interest, attorney's fees and costs. The Village has filed a Counterclaim for breach of contract terms against this unrelated party in the amount of \$461,000 plus costs, interest and attorney fees. These claims are now pending before the Court of Common Pleas of Madison County, Ohio.



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with *Government Auditing Standards*

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, 2004 and 2003, and have issued our report thereon dated August 22, 2005, wherein we noted the Village had followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Village in a separate letter dated August 22, 2005.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated August 22, 2005.

This report is intended solely for the information and use of the Village Council and the Director of Finance, and is not intended to be and should not be used by anyone other than these specified parties.

Holbrook & Manter

Certified Public Accountants

August 22, 2005
Marion, Ohio



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
OCTOBER 13, 2005**