



**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2006**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF WEST UNITY  
WILLIAMS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets-Cash Basis.....	11
Statement of Activities-Cash Basis.....	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds .....	14
Statement of Cash Basis Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds.....	15
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual Comparison - Budgetary Basis - General Fund .....	16
Statement of Net Assets - Cash Basis - Proprietary Funds.....	17
Statement of Cash Basis Receipts, Disbursements, and Changes in Fund Net Assets - Cash Basis - Proprietary Funds.....	18
Notes to the Basic Financial Statements .....	19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	35
Schedule of Findings.....	38
Schedule of Prior Audit Findings.....	40

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of West Unity  
Williams County  
118 West Jackson Street  
P.O. Box 207  
West Unity, Ohio 43570-0207

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Unity, Williams County, Ohio (the Village), as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio Villages. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Unity, Williams County, Ohio, as of December 31, 2006, and the respective changes in the cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2008, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 30, 2008

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

This discussion and analysis of the Village of West Unity's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2006 are as follows:

- Net assets of governmental activities increased \$81,584, or 9 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund and Debt Service Fund, which realized the greatest increases in 2006 due to an increase in income taxes.
- The Village's general receipts are primarily income taxes, property taxes, and grants and entitlements not restricted to special programs. These receipts represent respectively 52%, 13% and 8% of the total cash received for governmental activities during the year. Income tax receipts for 2006 increased \$61,083 as compared to 2005 as industry in the Village increased hours and employees.
- The 2006 Special Revenue receipts were significantly less due to a 1 mill park levy that was not renewed by the Village residents for the park fund. A donation of \$3,000 was received by the park fund for summer programs. The park levy generated \$24,147 in receipts in 2005.
- The Debt Service fund revenue increased \$23,619 due to an increase in local income taxes collected in 2006.
- The Village completed one major project in 2006, the Madison and Kenyon tower feed water line replacement (\$239,000). The Village received grant money for the project from Issue II (\$110,000) and CDBG (\$29,300). The Village also purchased a building for the EMS squad (\$85,576).
- The Village settled a lawsuit on December 15, 2006 with Cosme, D'Angelo & Szollosi Company L.P.A. in the amount of \$70,000, paid from the General Fund.
- The Village purchased a new truck and plow (\$24,906), repaired the water tower (\$16,000), and had work done on the village wells (\$7,740).
- The Business-Type activities show an increase of \$20,561 or 5.5% in net assets from the prior year. The increase can be attributed to the new utility software being capable of more accurate readings and billings for water and sewer usage and the Village tracking renters moving in and out more closely.

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

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 six-member Council. The Village provides general governmental services, including water and sewer utilities, street maintenance, park operations, and police services. Brady Township provides the Village with fire protection services.



**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

The statement of net assets and the statement of activities reflect how the Village did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity The Village has three business-type activities, the provision of water, sanitary sewer and water deposits. Business-type activities are financed by a fee charged to the customers receiving the service.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Other Debt Service Fund and the Other Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two major enterprise funds, the water fund and the sanitary sewer fund.

**The Government as a Whole**

Table 1 provides a summary of the Village's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)  
**Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Assets</b>						
Cash and Cash Equivalents	\$992,705	\$911,121	\$397,400	\$376,839	\$1,390,105	\$1,287,960
Total Assets	<u>\$992,705</u>	<u>\$911,121</u>	<u>\$397,400</u>	<u>\$376,839</u>	<u>\$1,390,105</u>	<u>\$1,287,960</u>
<b>Net Assets</b>						
Restricted for:						
Capital Projects	\$256,404	\$293,665			\$256,404	\$293,665
Debt Service	311,232	257,799			311,232	257,799
Permanent Fund	60,529	60,529			60,529	60,529
Other Purposes	216,259	193,535			216,259	193,535
Unrestricted	148,281	105,593	\$397,400	\$376,839	545,681	482,432
Total Net Assets	<u>\$992,705</u>	<u>\$911,121</u>	<u>\$397,400</u>	<u>\$376,839</u>	<u>\$1,390,105</u>	<u>\$1,287,960</u>

As mentioned previously, net assets of governmental activities increased \$81,584 or 9 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Income Tax Receipts increased \$61,083 in 2006 as compared to 2005, due to an increase in business productivity.
- Interest Earnings increased \$30,962 in 2006 as compared to 2005 due to an increase in interest rates.
- The Village received two grants in capital projects \$110,000 issue II and \$32,100 CDBG for the Lincoln Street curve re-alignment project.

The business-type activities show an increase of \$20,561. This increase can be attributed to the new utility software being capable of more accurate readings and billings for water and sewer usage and the Village tracking renters moving in and out more closely.

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for governmental activities, business-type activities and total primary government.

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

(Table 2)  
**Changes in Net Assets**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$26,881	\$27,655	\$394,374	\$417,830	\$421,255	\$445,485
Operating Grants and Contributions	77,652	62,149			77,652	62,149
Capital Grants and Contributions	139,300	105,277			139,300	105,277
<b>Total Program Receipts</b>	<b>243,833</b>	<b>195,081</b>	<b>394,374</b>	<b>417,830</b>	<b>638,207</b>	<b>612,911</b>
General Receipts:						
Property Taxes	157,065	179,801			157,065	179,801
Income Taxes	645,033	583,950			645,033	583,950
Other Taxes	30,280	31,864			30,280	31,864
Payments in Lieu of Taxes						
Special Assessments						
Grants and Entitlements Not Restricted						
to Specific Programs	94,987	113,640			94,987	113,640
Interest	60,144	29,182	2,728		62,872	29,182
Miscellaneous	10,758	6,994			10,758	6,994
<b>Total General Receipts</b>	<b>998,267</b>	<b>945,431</b>	<b>2,728</b>		<b>1,000,995</b>	<b>945,431</b>
<b>Total Receipts</b>	<b>1,242,100</b>	<b>1,140,512</b>	<b>397,102</b>	<b>417,830</b>	<b>1,639,202</b>	<b>1,558,342</b>
Disbursements:						
General Government	290,088	182,555			290,088	182,555
Security of Persons and Property:	201,969	191,601			201,969	191,601
Public Health Services	9,500	9,401			9,500	9,401
Leisure Time Activities	10,695	4,039			10,695	4,039
Community Environment	2,220	1,610			2,220	1,610
Basic Utilities	12,375	9,236			12,375	9,236
Transportation	78,352	61,945			78,352	61,945
Capital Outlay	359,337	192,246			359,337	192,246
Debt Service - Principal Retirement	117,642	113,179			117,642	113,179
Debt Service - Interest and Fiscal						
Charges	78,338	83,300			78,338	83,300
Water			198,096	201,590	198,096	201,590
Sewer			162,004	184,719	162,004	184,719
Kissel Buiding Rental			12,481	12,640	12,481	12,640
Water Deposits			3,960	3,465	3,960	3,465
<b>Total Disbursements</b>	<b>1,160,516</b>	<b>849,112</b>	<b>376,541</b>	<b>402,414</b>	<b>1,537,057</b>	<b>1,251,526</b>
<b>Increase in Net Assets</b>	<b>81,584</b>	<b>291,400</b>	<b>20,561</b>	<b>15,416</b>	<b>102,145</b>	<b>306,816</b>
Net Assets, January 1	911,121	619,721	376,839	361,423	1,287,960	981,144
<b>Net Assets, December 31</b>	<b>\$992,705</b>	<b>\$911,121</b>	<b>\$397,400</b>	<b>\$376,839</b>	<b>\$1,390,105</b>	<b>\$1,287,960</b>

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

Program receipts represent only 39 percent of total receipts and are primarily comprised of water and sewer charges for services, operating grants and contributions (i.e. motor vehicle license and gas tax money) and capital grants and contributions (i.e. Ohio Public Works Commission and Community Development Block Grant).

General receipts represent 61 percent of the Village's total receipts, and of this amount, over 83 percent are local taxes. State, federal grants, entitlements and Investment earnings make up 94 percent of the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 68 percent of General Fund unrestricted receipts.

Security of Persons and Property are the costs of police protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; the economic development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for capital outlay, general government, security of persons and property, and debt service, which account for 31, 25, 17, and 17 percent of all governmental disbursements, respectively. Transportation also represents a significant cost, about 7 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

(Table 3)

<b>Governmental Activities</b>				
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$290,088	\$281,330	\$182,555	\$172,462
Security of Persons and Property	201,969	201,969	191,601	191,601
Public Health Services	9,500	9,500	9,401	9,401
Leisure Time Activities	10,695	9,955	4,039	3,129
Economic Development	2,220	1,385	1,610	1,005
Basic Utilities	12,375	12,375	9,236	9,236
Transportation	78,352	(15,848)	61,945	(16,251)
Capital Outlay	359,337	220,037	192,246	86,969
Debt Service - Principal Retirement	117,642	117,642	113,179	113,179
Debt Service - Interest and Fiscal Charges	<u>78,338</u>	<u>78,338</u>	<u>83,300</u>	<u>83,300</u>
Total Expenses	<u><u>\$1,160,516</u></u>	<u><u>\$916,683</u></u>	<u><u>\$849,112</u></u>	<u><u>\$654,031</u></u>

The dependence upon property and income tax receipts is apparent as over 79 percent of governmental activities are supported through these general receipts.

**Business-type Activities**

Revenue for the Water fund comes from water usage (bills), hookup fees, water sales collection, and \$15 base fee. Expenses in the water fund include a portion of the fiscal officer, deputy clerk, maintenance worker, and administrator salaries and benefits, water tower maintenance, water testing, miscellaneous operating expenses, maintenance of equipment and meters, electric-utilities at water plant, oak, and venture.

Revenue for the Sewer Fund is derived from monthly sewer bills and tap fees. Expenses associated with the sanitary sewer fund include a portion of the fiscal officer, deputy clerk, maintenance worker, and administrator salaries and benefits; routine operating expenses, biosolids testing, repair and maintenance of pumps/equipment, utilities.

**The Village's Funds**

Total governmental funds had receipts of \$1,242,100 and disbursements of \$1,160,516. The greatest change within governmental funds occurred within the General Fund and Other Debt Service Fund. The fund balance of the General Fund increased \$42,688 and the Other Debt Service Fund increased \$53,433. The increase in the General Fund was due to an increase in interest earnings and income taxes and the increase in the Other Debt Service Fund was the result of the additional collections received from the 1/2% income tax levy and the reallocation of the 1 percent income tax levy.

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

There was no difference between original and final budgeted receipts. Final budgeted receipts were below actual receipts due to the increase in the amount of income tax collections received from the additional ½% income tax levy, the reallocation of the 1.0% income tax levy, and additional unanticipated revenues were received from property tax, intergovernmental revenues, and investment income. The difference between final budgeted receipts and actual receipts was \$74,336.

Final disbursements were budgeted at \$533,081 while actual disbursements were \$498,738. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. Although actual receipts exceeded expectations, actual disbursements were reduced. The Village kept spending very close to budgeted amounts.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure.

**Debt**

At December 31, 2006, the Village's outstanding debt totaled \$1,767,281, which included \$1,297,362 from Ohio Water Development Authority (OWDA) for a sewer facilities improvements project; \$413,000 in Mortgage Revenue Bonds for a sanitary sewer system improvement and \$56,919 loan from the Farmers and Merchants State Bank for the installation of a new automated water meter system including software and equipment. For further information regarding the Village's debt, refer to Note 12 to the basic financial statements.

**Current Issues**

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We have reduced some of the expenses in the general fund and adjusted the allocation of income tax money in order to make up for cuts in State funding, such as the phase out of tangible personal property taxes. We have reduced planned park repairs and maintenance due to a failed park levy. We have saved capital projects and reduced water operating expenses to plan ahead for a new water tower in the future and water/sewer lines will have to be supplied for new school construction.

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Beth Rediger, Fiscal Officer, Village of West Unity, 118 W. Jackson Street., P.O. Box 207, West Unity, OH. 43570-0270.

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$ 992,705</u>	<u>\$ 397,400</u>	<u>\$ 1,390,105</u>
<b>Net Assets:</b>			
Restricted for:			
Capital Projects	\$ 256,404		\$ 256,404
Debt Service	311,232		311,232
Permanent Fund	60,529		60,529
Other Purposes	216,259		216,259
Unrestricted	<u>148,281</u>	<u>\$ 397,400</u>	<u>545,681</u>
<i>Total Net Assets</i>	<u>\$ 992,705</u>	<u>\$ 397,400</u>	<u>\$ 1,390,105</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Cash Disbursements	Charges for Services	Program Cash Receipts	
			Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 201,969			
Public Health Services	9,500			
Leisure Time Activities	10,695	\$ 740		
Community Environment	2,220	835		
Basic Utility Services	12,375			
Transportation	78,352	16,548	\$ 77,652	
General Government	290,088	8,758		
Capital Outlay	359,337			\$ 139,300
Debt Service:				
Principal Retirement	117,642			
Interest and Fiscal Charges	78,338			
<i>Total Governmental Activities</i>	<u>1,160,516</u>	<u>26,881</u>	<u>77,652</u>	<u>139,300</u>
<b>Business-Type Activities:</b>				
Water	198,096	208,664		
Sewer	162,004	168,950		
Kissell Rental	12,481	10,900		
Water Deposit	3,960	5,860		
<i>Total Business-Type Activities</i>	<u>376,541</u>	<u>394,374</u>		
<b>Totals</b>	<u>\$ 1,537,057</u>	<u>\$ 421,255</u>	<u>\$ 77,652</u>	<u>\$ 139,300</u>

**General Receipts:**

Property Taxes Levied For:  
    General Purposes  
    Park Operations  
Other Local Taxes  
Municipal Income Tax  
Grants and Entitlements Not Restricted to Specific Programs  
Investment Receipts  
Miscellaneous  
  
*Total General Receipts*  
Change in Net Assets  
*Net Assets at Beginning of Year*  
*Net Assets at End of Year*

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



Net (Disbursements) Receipts  
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (201,969)		\$ (201,969)
(9,500)		(9,500)
(9,955)		(9,955)
(1,385)		(1,385)
(12,375)		(12,375)
15,848		15,848
(281,330)		(281,330)
(220,037)		(220,037)
(117,642)		(117,642)
(78,338)		(78,338)
(916,683)		(916,683)
	10,568	10,568
	6,946	6,946
	(1,581)	(1,581)
	1,900	1,900
	17,833	17,833
(916,683)	17,833	(898,850)
156,525		156,525
540		540
30,280		30,280
645,033		645,033
94,987		94,987
60,144	2,728	62,872
10,758		10,758
998,267	2,728	1,000,995
81,584	20,561	102,145
911,121	376,839	1,287,960
\$ 992,705	\$ 397,400	\$ 1,390,105

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006

	General	Other Debt Service	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 148,281	\$ 311,232	\$ 248,702	\$ 284,490	\$ 992,705
<b>Fund Balances:</b>					
Reserved for Encumbrances	\$ 1,320			\$ 64	\$ 1,384
Unreserved, Undesignated:					
General Fund	146,961				146,961
Special Revenue Funds				216,195	216,195
Debt Service Fund		\$ 311,232			311,232
Capital Projects Funds			\$ 248,702	7,702	256,404
Permanent Fund				60,529	60,529
<i>Total Fund Balances</i>	<u>\$ 148,281</u>	<u>\$ 311,232</u>	<u>\$ 248,702</u>	<u>\$ 284,490</u>	<u>\$ 992,705</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
CASH FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Other Debt Service	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>					
Municipal Income Taxes	\$ 215,011	\$ 249,413	\$ 180,609		\$ 645,033
Property and Other Local Taxes	156,525			\$ 17,087	173,612
Intergovernmental	93,215		110,000	131,537	334,752
Special Assessments	100				100
Charges for Services				740	740
Fines, Licenses, and Permits	16,703			258	16,961
Investment Income	50,894			9,250	60,144
Miscellaneous	7,658			3,100	10,758
<i>Total Receipts</i>	<u>540,106</u>	<u>249,413</u>	<u>290,609</u>	<u>161,972</u>	<u>1,242,100</u>
<b>Disbursements:</b>					
Current:					
Security of Persons and Property	201,177			792	201,969
Public Health Services	9,500				9,500
Leisure Time Activities				10,695	10,695
Community Environment	2,220				2,220
Basic Utility Services	11,379			996	12,375
Transportation				78,352	78,352
General Government	270,975			19,113	290,088
Capital Outlay	2,167		327,870	29,300	359,337
Debt Service:					
Principal Retirement		117,642			117,642
Interest and Fiscal Charges		78,338			78,338
<i>Total Disbursements</i>	<u>497,418</u>	<u>195,980</u>	<u>327,870</u>	<u>139,248</u>	<u>1,160,516</u>
Net Change in Fund Balances	42,688	53,433	(37,261)	22,724	81,584
<i>Fund Balances at Beginning of Year</i>	<u>105,593</u>	<u>257,799</u>	<u>285,963</u>	<u>261,766</u>	<u>911,121</u>
<i>Fund Balances at End of Year</i>	<u>\$ 148,281</u>	<u>\$ 311,232</u>	<u>\$ 248,702</u>	<u>\$ 284,490</u>	<u>\$ 992,705</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL COMPARISON - BUDGETARY BASIS -  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive(Negative)
	Original	Final		
<b>Receipts:</b>				
Municipal Income Tax	\$ 194,000	\$ 194,000	\$ 215,011	\$ 21,011
Property and Other Local Taxes	144,500	144,500	156,525	12,025
Intergovernmental	93,120	93,120	93,215	95
Special Assessments			100	100
Fines, Licenses, and Permits	17,650	17,650	16,703	(947)
Investment Income	14,500	14,500	50,894	36,394
Miscellaneous	2,000	2,000	7,658	5,658
<i>Total Receipts</i>	465,770	465,770	540,106	74,336
<b>Disbursements:</b>				
Current:				
Security of Persons and Property	214,110	214,110	201,646	12,464
Public Health Services	9,500	9,500	9,500	-
Community Environment	2,500	2,800	2,222	578
Basic Utility Services	10,200	12,029	11,379	650
General Government	216,771	292,242	271,824	20,418
Capital Outlay		2,400	2,167	233
<i>Total Disbursements</i>	453,081	533,081	498,738	34,343
<i>Net Change in Fund Balance</i>	12,689	(67,311)	41,368	108,679
<i>Fund Cash Balance at Beginning of Year</i>	105,241	105,241	105,241	
Prior Year Encumbrances Appropriated	352	352	352	
<i>Fund Cash Balance at End of Year</i>	\$ 118,282	\$ 38,282	\$ 146,961	\$ 108,679

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

STATEMENT OF FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2006

	Business-Type Activities			Total
	Water	Sewer	Other Enterprise Funds	
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$ 127,478</u>	<u>\$ 126,474</u>	<u>\$ 143,448</u>	<u>\$ 397,400</u>
<b>Net Assets:</b>				
Unrestricted	<u>\$ 127,478</u>	<u>\$ 126,474</u>	<u>\$ 143,448</u>	<u>\$ 397,400</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND NET ASSETS - CASH BASIS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-Type Activities			
	Water	Sewer	Other Enterprise	Total
<b>Operating Receipts:</b>				
Charges for Services	\$ 208,664	\$ 168,950	\$ 5,860	\$ 383,474
Other Operating Receipts			10,900	10,900
<i>Total Operating Cash Receipts</i>	<u>208,664</u>	<u>168,950</u>	<u>16,760</u>	<u>394,374</u>
<b>Operating Disbursements:</b>				
Personal Services	47,355	50,826		98,181
Fringe Benefits	18,930	29,734		48,664
Contractual Services	35,304	30,412	4,649	70,365
Materials and Supplies	46,825	32,917	3,240	82,982
Other	2,945	6,431	8,552	17,928
<i>Total Operating Disbursements</i>	<u>151,359</u>	<u>150,320</u>	<u>16,441</u>	<u>318,120</u>
<i>Operating Income</i>	<u>57,305</u>	<u>18,630</u>	<u>319</u>	<u>76,254</u>
<b>Non-Operating Receipts (Disbursements):</b>				
Earnings on Investments			2,728	2,728
Principal Payments	(43,982)	(10,995)		(54,977)
Interest and Fiscal Charges	(2,755)	(689)		(3,444)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(46,737)</u>	<u>(11,684)</u>	<u>2,728</u>	<u>(55,693)</u>
<i>Changes in Net Assets</i>	10,568	6,946	3,047	20,561
<i>Net Assets at Beginning of Year</i>	<u>116,910</u>	<u>119,528</u>	<u>140,401</u>	<u>376,839</u>
<i>Net Assets at End of Year</i>	<u>\$ 127,478</u>	<u>\$ 126,474</u>	<u>\$ 143,448</u>	<u>\$ 397,400</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE 1 – REPORTING ENTITY**

The Village of West Unity, Williams County, Ohio (the Village), 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements were not misleading.

**A. Primary Government**

The primary government consists of all funds and departments that are not legally separate from the Village. The Village provides general government services, electric utility, and contracted maintenance of Village roads and bridges. The Village has a contract with Brady Township to provide fire protection services.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. Based on these criteria, the Village has no component units.

**C. Jointly Governed Organizations and Public Entity Risk Pools**

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

The Village participates in a public entity risk pool. The Village belongs to the Public Entities Pool of Ohio Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 450 Ohio governments ("Members"). Note 9 to the financial statements provides additional information for this entity.

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

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a *cash* basis or draws from the Village's general receipts.

**Fund Financial Statements**

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.



**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

**B. Fund Accounting**

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

**Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the Village's major governmental funds.

General Fund – The General Fund is the general operating fund. It is used to account for all financial resources except for those required to be accounted for 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.

Other Debt Service Fund - This fund receives income tax monies to be used to retire mortgage revenue bonds, loan proceeds received from the Ohio Water Development Authority, and a loan obtained from the Farmers and Merchants State bank.

Other Capital Projects Fund – This fund receives income tax monies and grant monies for maintaining facilities, conducting capital improvements, and purchasing equipment.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds**

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village has the following major 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.

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**C. Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**D. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk-Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool with an initial maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$50,894 which includes \$44,411 assigned from other Village funds.

**F. Inventory and Prepaid Items**

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Long-Term Obligations**

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**K. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for streets. The Village's policy is to first apply restricted sources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. There were no net assets restricted by enabling legislation.

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

L. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**NOTE 3 – ACCOUNTING CHANGE**

In the prior year, gasoline tax monies were allocated to the General Fund rather than to the State Highway Fund.

Homestead and rollback revenues were allocated to the General Fund rather than to the Park and Recreation Fund.

These changes had the following effects on fund balances:

	General Fund	All Other Governmental Funds
Fund Balances, as previously reported at December 31, 2005	\$ 108,082	\$ 259,277
Gasoline Tax Reallocation	(381)	381
Homestead and Rollback Reallocation	(2,108)	2,108
Fund Balances, as restated at January 1, 2006	\$ 105,593	\$ 261,766

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 4 – COMPLIANCE**

The Ohio Public Works Commission (\$110,000) grant funds disbursed directly to vendors on behalf of the Village. Contrary to Ohio law, these amounts were not recorded as pass-through grants on the financial statements.

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$1,320 for the general fund.

**NOTE 6 – DEPOSITS AND INVESTMENTS**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 6 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**NOTE 7 – LOCAL INCOME TAX**

The Village levies a 1.5 percent income tax whose proceeds are placed into the General Fund, Other Debt Service Fund, and Other Capital Projects Fund. The Village levies and collects the tax 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. In the latter case, the Village allows a credit of actual taxes paid to another city up to 1.5 percent of the taxable income.

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

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 8 – PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after April 1, 2006, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2006, was \$1.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$17,324,710
Agricultural	59,680
Commercial/Industrial/Mineral	7,165,300
Tangible Personal Property	
Business	5,326,410
Public Utility	885,160
Total Assessed Value	<u><u>\$30,761,260</u></u>

**NOTE 9 – RISK MANAGEMENT**

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

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

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 9 – RISK MANAGEMENT – (CONTINUED)**

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.



**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 9 – RISK MANAGEMENT – (CONTINUED)**

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, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$40,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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><u>Contributions to PEP</u></b>	
2004	\$20,000
2005	\$20,000
2006	\$20,000

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 9 – RISK MANAGEMENT – (CONTINUED)**

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give 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 budgetary contribution. Withdrawing members have no other future obligation to the pool. 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 pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**NOTE 10 – DEFINED BENEFIT PENSION PLAN**

**A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The Village's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$19,534, \$21,783, and \$22,697 respectively; 100 percent has been contributed for 2006, 2005, and 2004.

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN – (CONTINUED)**

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the Village is required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. The Village's contributions to OP&F for police for pension obligations for the years ended December 31, 2006, 2005, and 2004, were \$12,826, \$12,580, and \$15,061, respectively. The full amount has been contributed for 2006, 2005, and 2004.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll (16.93 percent for public safety and law enforcement and 13.54 percent for state employers); 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between 0.5 and 5.0 percent annually for the next eight years and 4 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,885. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual Village contributions for 2006 which were used to fund postemployment health care benefits were \$9,554. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 11 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for the health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2006 that were used to fund postemployment health care benefits were \$8,460 for police. The OP&F's total health care expense for the year ended December 31, 2006, was \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 14,120 for police and 10,563 for firefighters.

**NOTE 12 – DEBT**

The Village's long term debt obligations at year end consist of the following:

		<u>Balance at 12/31/05</u>	<u>Principal Decrease</u>	<u>Balance at 12/31/06</u>	<u>Amounts Due in One Year</u>
<b>Governmental Activities:</b>					
Mortgage Revenue Bonds	5.00%	\$444,000	\$31,000	\$413,000	\$33,000
Ohio Water Develop. Author. Loan	4.12%	1,384,003	86,642	1,297,362	90,248
Total Governmental Activities		<u>1,828,003</u>	<u>117,642</u>	<u>1,710,362</u>	<u>123,248</u>
<b>Business-Type Activities:</b>					
Bank Loan - \$175,000	3.50%	<u>111,897</u>	<u>54,977</u>	<u>56,919</u>	<u>56,919</u>
<b>Total Long-Term Obligations</b>		<u><u>\$ 1,939,900</u></u>	<u><u>\$ 172,619</u></u>	<u><u>\$ 1,767,281</u></u>	<u><u>\$ 180,167</u></u>

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 12 – DEBT – (CONTINUED)**

The Ohio Water Development Authority (OWDA) loan relates to a sewer facilities improvement project.

The OWDA has approved up to \$2,010,000 in loans to the Village for this project. The Village will repay the loan in semiannual installments of \$71,390, including interest, over 20 years. The scheduled payment amounts were established by OWDA and assumes that \$1,932,477 will be borrowed. The OWDA will adjust the scheduled payment to reflect any revisions in amounts the Village actually borrows.

The Mortgage Revenue Bonds relate to a sanitary sewer system improvement project. The bonds were issued by the Village in 1976 for an aggregate amount of \$901,000. The bonds will be paid in annual installments according to the bond amortization schedule until 2016.

As required by the mortgage revenue bond covenant, the Village has established and funded a sewer reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2006, was \$56,728.

The debt related to governmental activities is repaid from the Debt Service Fund, which is funded by local income tax collections.

The Village borrowed \$165,000 from the Farmers and Merchants State Bank in 2004 for the purchase and installation of a new automated water meter system, including software and equipment. The Village will make semi-annual payments of principal and interest. The loan matures in 2007. The loan amounts are paid through the collection of a user charge for consumer water/sewer services. This loan is paid from the Water and Sewer Funds.

The scheduled payments of principal and interest on debt outstanding at December 31, 2006 are as follows:

Year Ending December 31:	Principal	Interest	Total
2007	\$180,167	\$74,684	\$254,851
2008	129,004	67,775	196,779
2009	133,917	62,112	196,029
2010	139,993	56,236	196,229
2011	146,238	50,091	196,329
Subsequent	1,037,962	156,852	1,194,814
Total	<u>\$1,767,281</u>	<u>\$467,750</u>	<u>\$2,235,031</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$3,229,932 and an unvoted debt margin of \$1,691,869.

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

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

Village of West Unity  
Williams County  
118 West Jackson Street  
P.O. Box 207  
West Unity, Ohio 43570-0207

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of West Unity, Williams County, (the Village) as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 30, 2008, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated April 30, 2008.

### **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, 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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We also noted certain noncompliance not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 30, 2008.

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.



Village of West Unity  
Williams County  
Independent Accountants' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Required By *Government Auditing Standards*  
Page 3

We intend this report solely for the information and use of the audit committee, management and Members of Council. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

April 30, 2008

VILLAGE OF WEST UNITY  
WILLIAMS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006

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

FINDING NUMBER 2006-001

**Noncompliance Citation – Material Weakness**

Chapter 5705 of the Revised Code sets forth a scheme that provides for a uniform budget and appropriation process in order to assure that a government entity expends no more than it expects to receive in revenue. In order to accomplish this, all appropriations must be accounted to and from each appropriation fund. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded (R.C.5705.42). Thus, a mechanism is still required to account for receipts and expenditures. That mechanism is an amendment of, or a supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation (R.C.5705.40). An original appropriation measure must be passed by the taxing authority, and in any amendment of, or supplement to, that measure also requires legislative action (R.C. 5705.38).

Auditor of State Bulletin 2002-004 further requires that when an entity enters into an Issue II infrastructure project with the Ohio Public Works Commission (OPWC), the cash value benefit of the program should be recorded as memorandum receipts and disbursements in the year the "on-behalf-of" payments are made to contractors by OPWC.

In 2006, Issue II grant monies, in the amount of \$110,000, were expended directly to contractors on behalf of the Village. These monies were not recorded in the Village's financial statements.

The accompanying financial statements have been adjusted to reflect the "on-behalf-of" activity.

We recommend that the Village follow the guidelines of Auditor of State Bulletin 2002-004, which describes the proper accounting treatment for Issue II infrastructure projects and that the Village record and budget all grant money received to the Village books.

**Official's Response:**

Management does not disagree with this finding and acknowledges that corrective procedures have been implemented regarding these monies.

## FINDING NUMBER 2006-002

### Significant Deficiency - Financial Reporting

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustments:

1. In the prior audit, motor vehicle license tax, gasoline tax, and homestead and rollback monies were allocated to the incorrect funds. As a result, the fund balances at January 1, 2006, were understated in the Street Construction Fund by \$5,981, in the Parks and Recreation Fund by \$2,108, and overstated in the State Highway Fund by \$5,600, and in the General Fund by \$2,489.
2. Debt expenditures in the Water Fund, \$46,737, and in the Sewer Fund, \$11,684, were recorded as other financing uses instead of debt services.
3. Monthly water and sewer collections in the Water Fund, \$51,600, and Sewer Fund, \$12,789, were recorded as other financing sources instead of charges for services.
4. Community Development Block Grant monies received in the amount of \$29,300 were classified as general revenues on the government wide financial statements: Statement of Net Activities, instead of being classified as program revenues, capital grants: capital grants related to the capital outlay activity.

Sound financial reporting is the responsibility of the fiscal officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Clerk/Treasurer and the audit committee, to identify and correct errors and omissions. In addition, the Clerk/Treasurer should also review the Uniform Accounting Network's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

### Officials Response:

Management does not disagree with this finding and acknowledges that corrective procedures have been implemented regarding these audit adjustments.

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Revised Code §5705.10. Village did not account receipts and disbursements from Natureworks Grant in a separate fund	Yes	Finding No Longer Valid. The Village did not receive a Natureworks Grant during 2006 or 2007
2005-002	Ohio Revised Code Chapter 5705. Village did not record pass through grants on Village records	No	Not Corrected. Reissued as Finding No. 2006-001



Mary Taylor, CPA  
Auditor of State

VILLAGE OF WEST UNITY

WILLIAMS 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  
JUNE 3, 2008