



**Auditor of State
Betty Montgomery**

VILLAGE OF WEST UNITY
WILLIAMS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings	21

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of West Unity, Williams County, (the Village) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 25, 2004

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**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Cash Receipts		
Property Tax and Other Local Taxes	\$ 188,566	\$ 23,099
Intergovernmental Receipts	88,287	86,250
Charges for Services		493
Fines, Licenses, and Permits	9,264	75
Earnings on Investments	9,413	269
Miscellaneous	14,864	420
Total Cash Receipts	<u>310,394</u>	<u>110,606</u>
Cash Disbursements		
Current:		
Security of Persons and Property	172,826	
Public Health Services	8,288	
Leisure Time Activities		12,700
Community Environment	3,100	
Basic Utility Services	3,834	57,191
Transportation	66,200	
General Government	109,686	
Debt Service:		
Principal Payments		
Capital Outlay	809	
Total Cash Disbursements	<u>364,743</u>	<u>69,891</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(54,349)</u>	<u>40,715</u>
Other Financing Receipts and (Disbursements):		
Sale of Fixed Assets	820	
Sale of Notes		
Other Uses	(2,995)	
Total Other Financing Receipts and (Disbursements)	<u>(2,175)</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(56,524)	40,715
Fund Cash Balances, January 1	114,508	50,849
Fund Cash Balances, December 31	<u>\$ 57,984</u>	<u>\$ 91,564</u>
Reserves for Encumbrances, December 31	<u>\$ 3,352</u>	<u>\$ 1,709</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

<u>Governmental Fund Types</u>		Totals (Memorandum Only)
<u>Debt Service</u>	<u>Capital Projects</u>	
\$ 229,148	\$ 89,976	\$ 530,789
	89,363	263,900
		493
		9,339
		9,682
		15,284
<u>229,148</u>	<u>179,339</u>	<u>829,487</u>
		172,826
		8,288
		12,700
		3,100
		61,025
		66,200
		109,686
263,229		263,229
	178,259	179,068
<u>263,229</u>	<u>178,259</u>	<u>876,122</u>
<u>(34,081)</u>	<u>1,080</u>	<u>(46,635)</u>
		820
	67,000	67,000
		(2,995)
	<u>67,000</u>	<u>64,825</u>
(34,081)	68,080	18,190
198,663	61,320	425,340
<u>\$ 164,582</u>	<u>\$ 129,400</u>	<u>\$ 443,530</u>
	<u>\$ 21,068</u>	<u>\$ 26,129</u>

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts			
Charges for Services	\$ 321,128		\$ 321,128
Miscellaneous	6,028		6,028
Total Operating Cash Receipts	<u>327,156</u>		<u>327,156</u>
Operating Cash Disbursements			
Personal Services	168,775		168,775
Travel Transportation	494		494
Supplies and Materials	143,355		143,355
Total Operating Cash Disbursements	<u>312,624</u>		<u>312,624</u>
Operating Income	<u>14,532</u>		<u>14,532</u>
Non-Operating Cash Receipts			
Interest		\$ 1,179	1,179
Non-Operating Cash Disbursements			
Other Non-Operating Cash Disbursements	<u>9,842</u>	<u>924</u>	<u>10,766</u>
Net Receipts Over Disbursements	4,690	255	4,945
Fund Cash Balances, January 1	<u>207,611</u>	<u>59,477</u>	<u>267,088</u>
Fund Cash Balances, December 31	<u>\$ 212,301</u>	<u>\$ 59,732</u>	<u>\$ 272,033</u>
Reserve for Encumbrances, December 31	<u>\$ 3,107</u>	<u>\$ 156</u>	<u>\$ 3,263</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of West Unity, Williams County, (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 (leisure time activities), and police services. The Village contracts with Brady Township to provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

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 disbursements, respectively.

Certificates of deposit are valued at cost.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Fund

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Motor Vehicle License Tax Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtedness.

The Village's Debt Service Fund is being used to retire mortgage revenue bonds, loan proceeds received from the Ohio Water Development Authority, and a Loan obtained from Farmers and Merchants State Bank.

4. Capital Project Fund

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

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

The Village's Capital Project Fund receives 25 percent of the proceeds from a municipal income tax levy which are used to acquire property and equipment and to construct capital improvements.

5. Enterprise Funds

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

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

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

6. Fiduciary Fund (Trust Fund)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. The Village had one fiduciary fund called the Kissell Trust Fund. This fund earns interest which can be utilized for support and maintenance of the Village Park.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2003
Demand deposits	\$ 214,388
Certificates of deposit	501,000
Total deposits	<u>715,388</u>
Cash on hand	175
Total carrying amount	<u><u>\$ 715,563</u></u>

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 300,000	\$ 311,214	\$ 11,214
Special Revenue	81,150	110,606	29,456
Debt Service	267,000	229,148	(37,852)
Capital Projects	269,250	246,339	(22,911)
Enterprise	311,200	327,156	15,956
Fiduciary	1,300	1,179	(121)
Total	\$ 1,229,900	\$ 1,225,642	\$ (4,258)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 401,645	\$ 371,090	\$ 30,555
Special Revenue	90,373	71,600	18,773
Debt Service	315,229	263,229	52,000
Capital Projects	300,809	199,327	101,482
Enterprise	342,819	325,573	17,246
Fiduciary	1,300	1,080	220
Total	\$ 1,452,175	\$ 1,231,899	\$ 220,276

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

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

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 1,547,038	4.12%
Mortgage Revenue Bonds	502,000	5.00%
Total	<u>\$ 2,049,038</u>	

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(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 loans will be repaid in semiannual installments of \$71,390, including interest, over 20 years. The scheduled payment amounts below were established by OWDA and assume that \$1,932,477 will be borrowed. The scheduled payments will be adjusted to reflect any revisions in amounts actually borrowed.

The Mortgage Revenue Bonds relate to a sanitary sewer system improvement project. The bonds were issued by the Village on October 7, 1976, for an aggregate amount of \$901,000. The bonds will be paid in annual installments according to the principal and interest amounts listed in the bond amortization schedule until October 1, 2016. The scheduled payment amounts are listed below.

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, 2003 was \$54,000.

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

Year ending December 31:	OWDA Loan	Mortgage Revenue Bonds
2004	\$ 142,779	\$ 53,100
2005	142,779	53,700
2006	142,779	53,200
2007	142,779	53,650
2008	142,779	54,000
2009-2013	713,896	267,250
2014-2018	642,506	159,750
Total	<u>\$ 2,070,297</u>	<u>\$ 694,650</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of their wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan Pool, (the "Pool"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Plan uses conventional insurance coverages and reinsures these coverages 100 percent, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

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

9. COMPLIANCE

- Contrary to the requirements of the Ohio Revised Code, two council members received in-term raises.
- The District did not post funds to the correct funds as required by Ohio Revised Code § 5705.10

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

10. CONTINGENT LIABILITIES

The Village is a defendant in a lawsuit in which the plaintiff is seeking attorney fees in the amount of \$100,000. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter could materially adversely affect the Village's financial condition.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Village Council:

We have audited the financial statements of the Village of West Unity, Williams County, (the Village) as of and for the year ended December 31, 2003, and have issued our report thereon dated May 25, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 25, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion

Village of West Unity
Williams County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of West Unity's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 25, 2004.

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



Betty Montgomery
Auditor of State

May 25, 2004

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2003

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 102.03 (D) states that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties. In addition, Division (E) states that no public official or employee shall solicit or accept anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties. As is further explained in Ohio Ethics Commission Advisory Opinion No. 93-006, since a village council is charged with the authority to fix the compensation of village officers and employees, they are subject to the prohibitions of Divisions (D) and (E) of § 102.03. Division (D) of § 102.03 would prohibit the members of a village council from enacting an ordinance granting an in-term increase in salary for the current members of council, since the in-term increase could impair the objectivity and independence of judgment of the council members. Furthermore, Division (E) of § 102.03 would prohibit a member of a village council from accepting, for the duration of his present term, an increase in compensation enacted by village council while he was a member thereof, regardless of whether he voted to enact the increase.

In 2001, the annual compensation of Village Council increased from \$1,000 to \$3,000. This resulted in an in-term increase, of the following amounts, being paid to the following Council Members in 2003:

<u>Council Member</u>	<u>In-term Increase</u>
Ronald Hausch	\$ 2,000
Frank Wilcox	2,000
Total	<u>\$ 4,000</u>

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Revised Code § 5705.10 requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

FINDING NUMBER 2003-002
(Continued)

In fiscal year 2003, the Clerk-Treasurer incorrectly posted \$5,673 of gas tax to the State Highway Fund instead of the Street Construction, Repair, and Maintenance Fund. Failure to properly report the revenues could cause management to draw incorrect conclusions regarding its fiscal position. The accompanying financial statements have been adjusted to correctly account for the apportionment of gas tax.

As part of the monitoring process, the Administrator or Council should review the monthly revenue ledger to make sure that all amounts are properly reflected in the appropriate funds.

FINDING NUMBER 2003-003

Reportable Condition - Monitoring Controls

Sound accounting practices require a segregation of duties where possible and increased monitoring control be used when a segregation of duties is not feasible due to a small number of employees. There is a lack of both of segregation of duties and monitoring controls in the posting of income tax receipts, utilities receipts, and payroll expenditures. Also, there is no review of bank reconciliations. Lack of controls could result in errors or irregularities occurring without detection by management.

To improve internal controls, we recommend:

- The Fiscal Officer compare computer reports for income taxes and utilities to the deposits.
- The Fiscal Officer periodically review the list of delinquent accounts generated by the computer for income taxes and utilities.
- The Administrator review payroll reports.
- The Audit Committee or Administrator review bank reconciliations and trace amounts to supporting documentation.
- The Administrator and Council determine prior to approving vouchers that invoices and/or receipts are attached to vouchers and that they provide adequate documentation of the expenditures.

The above reviews should be documented by the official signing the report reviewed.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-30186-001	Ohio Revised Code § 102.03(D), in-term increase in salary for council members	No	Partially corrected due to new terms of four of the Council Members. Repeated as 2003-001 for two of the Council Members.
2002-30186-002	Ohio Revised Code § 5705.41(D), expenditures not prior certified.	No	Partially corrected reducing this to a management letter comment.

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**Auditor of State
Betty Montgomery**

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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 29, 2004**