



**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2004**



**Auditor of State  
Betty Montgomery**



VILLAGE OF WEST UNITY  
WILLIAMS COUNTY

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**Auditor of State  
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

September 14, 2006

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**Auditor of State  
Betty Montgomery**

**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 Village of West Unity, Williams County, (the Village) as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit 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 governments. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of West Unity, Williams County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2006, 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.



**Betty Montgomery**  
Auditor of State

September 14, 2006



**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, 2004**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$144,673	\$22,728			\$167,401
Municipal Income Tax	88,908		\$259,781	\$148,857	497,546
Special Assessments	285				285
Intergovernmental Receipts	103,173	97,668		130,742	331,583
Charges for Services		1,065			1,065
Fines, Licenses, and Permits	10,179	85			10,264
Earnings on Investments	9,149	425			9,574
Miscellaneous	12,004	1,215			13,219
<b>Total Cash Receipts</b>	<b>368,371</b>	<b>123,186</b>	<b>259,781</b>	<b>279,599</b>	<b>1,030,937</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	195,484				195,484
Public Health Services	8,861				8,861
Leisure Time Activities		7,591			7,591
Community Environment	2,259				2,259
Basic Utility Services	12,805	398			13,203
Transportation		72,126			72,126
General Government	187,120	3,962			191,082
Debt Service:					
Principal Payments			107,855		107,855
Interest Payments			88,024		88,024
Capital Outlay		5,775		223,015	228,790
<b>Total Cash Disbursements</b>	<b>406,529</b>	<b>89,852</b>	<b>195,879</b>	<b>223,015</b>	<b>915,275</b>
Total Receipts Over (Under) Disbursements	(38,158)	33,334	63,902	56,584	115,662
Fund Cash Balances, January 1	57,984	91,564	164,582	129,400	443,530
<b>Fund Cash Balances, December 31</b>	<b>\$19,826</b>	<b>\$124,898</b>	<b>\$228,484</b>	<b>\$185,984</b>	<b>\$559,192</b>
Reserves for Encumbrances, December 31	\$57				\$57

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

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$434,943		\$434,943
Miscellaneous	14,225		14,225
Total Operating Cash Receipts	<u>449,168</u>		<u>449,168</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	101,639		101,639
Fringe Benefits	45,902		45,902
Contractual Services	70,476		70,476
Supplies and Materials	81,147		81,147
Other	15,678		15,678
Capital Outlay	150,373		150,373
Total Operating Cash Disbursements	<u>465,215</u>		<u>465,215</u>
Operating Loss	<u>(16,047)</u>		<u>(16,047)</u>
<b>Non-Operating Cash Receipts:</b>			
Earnings on Investments		797	797
Debt Proceeds	165,000		165,000
Other Non-Operating Receipts	170		170
Total Non-Operating Cash Receipts	<u>165,170</u>	<u>797</u>	<u>165,967</u>
Net Receipts Over Disbursements	149,123	797	149,920
Fund Cash Balances, January 1	<u>212,301</u>	<u>59,732</u>	<u>272,033</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$361,424</u></b>	<b><u>\$60,529</u></b>	<b><u>\$421,953</u></b>
Reserve for Encumbrances, December 31	<u>\$7,128</u>		<u>\$7,128</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, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of West Unity, Williams County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services including street maintenance, water and sewer utilities, park operations, and police services. The Village contracts with Brady Township to receive 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

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

The Village values certificates of deposit at cost.

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds 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:

VILLAGE OF WEST UNITY  
WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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

Park & Recreation Fund - This fund receives tax levy money for maintaining and repairing park grounds and facilities.

3. **Debt Service Fund**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service fund:

Other Debt Service Fund – This fund is 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.

4. **Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise funds). The Village had the following significant capital project fund:

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

5. **Enterprise Funds**

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

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

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

6. **Fiduciary Fund (Trust Fund)**

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant fiduciary fund:

Kissell Trust Fund – This fund accumulates interest earned on the trust fund principal. These earnings are used for support and maintenance of the park.

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**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. Village 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.

**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 re-appropriated.

A summary of 2004 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**2. EQUITY IN POOLED CASH**

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

	2004
Demand deposits	\$479,970
Certificates of deposit	501,000
Total deposits	980,970
Cash on Hand	175
Total	\$981,145

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$415,000	\$368,371	(\$46,629)
Special Revenue	144,168	123,186	(20,982)
Debt Service	200,000	259,781	59,781
Capital Projects	206,020	279,599	73,579
Enterprise	456,000	614,338	158,338
Non-Expendable Trust	1,000	797	(203)
Total	\$1,422,188	\$1,646,072	\$223,884

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$459,000	\$406,586	\$52,414
Special Revenue	147,466	89,852	57,614
Debt Service	280,000	195,879	84,121
Capital Projects	258,723	223,015	35,708
Enterprise	498,000	472,343	25,657
Total	\$1,643,189	\$1,387,675	\$255,514

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.5 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, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$1,467,182	4.12%
Mortgage Revenue Bonds	474,000	5.00%
Farmers & Merchants Bank Loan	165,000	3.50%
Total	<u><u>\$2,106,182</u></u>	

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 below 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. The scheduled payment amounts are listed below.

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**6. DEBT – (Continued)**

The OWDA loan and mortgage revenue bonds are repaid from the Debt Service Fund, which is funded by local income tax collections.

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, 2004, was \$54,877.

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.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>Bank Loan</u>	<u>Mortgage Revenue Bonds</u>
2005	\$142,779	\$58,422	\$53,700
2006	142,779	58,422	53,200
2007	142,779	58,421	53,650
2008	142,779		54,000
2009	142,779		53,250
2010-2014	713,895		267,250
2015-2018	571,116		106,500
Total	<u>\$1,998,906</u>	<u>\$175,265</u>	<u>\$641,550</u>

**7. RETIREMENT SYSTEMS**

The Village's full-time law enforcement officers belong to the Ohio Police and Fire Pension Funds (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. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant 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, 2004.



VILLAGE OF WEST UNITY  
WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan 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 from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2004 and 2003 (the latest information available):

	<u>2004</u>	<u>2003</u>
Assets	\$6,685,522	\$5,402,167
Liabilities	<u>\$2,227,808</u>	<u>\$1,871,123</u>
Members' Equity	<u>\$4,457,714</u>	<u>\$3,531,044</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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

**9. COMPLIANCE**

Contrary to Ohio law the following occurred:

- Ohio Natureworks Grant monies received (\$34,723) were credited to the Other Capital Projects Fund instead of been placed into a special fund designated for the specific project funded by the grant.
- Public Works Commission (\$35,000) and Community Development Block Grant (\$61,020) funds disbursed directly to vendors on behalf of the Village were not recorded as pass-through grants on the financial statements.

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**10. CONTINGENT LIABILITIES**

The Village is a party to a legal proceeding in which the plaintiff claimed the Village violated the State of Ohio's prevailing wage law. The lawsuit seeks equitable relief and a writ of mandamus and monetary damages were not sought, except costs and attorney's fees. The trial court ruled in favor of the Village on July 1, 2003. The plaintiff appealed this decision. On May 7, 2004, the Williams County Court of Appeals reversed the decision of the trial court and ordered the case to the trial court to determine the amount of attorney fees that the Village should pay the plaintiff's attorney which are claimed to be approximately \$100,000. The trial court awarded \$12,000. The plaintiff has again appealed this decision to the Sixth District Court of Appeals where a decision is pending.



**Auditor of State  
Betty Montgomery**

**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 Village of West Unity, Williams County, (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated September 14, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 14, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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### **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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Village's management dated September 14, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Council. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

September 14, 2006

VILLAGE OF WEST UNITY  
WILLIAMS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004

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

FINDING NUMBER 2004-001

**Noncompliance Citation**

Ohio Revised Code § 5705.10 requires that all revenue derived from a source other than 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.

Natureworks Grant monies received from Ohio Department of Natural Resources were credited to the Other Capital Projects Fund. These grant monies (\$34,723) should have been placed into a special fund designated for the specific project funded by the grant.

Improper reporting of revenue and disbursements could cause management to draw incorrect conclusions regarding its fiscal position. Financial activity should be properly reported in the accounting ledgers so that the Council can better assess whether financial goals are being met on an ongoing basis. As part of the monitoring process Village officials should review financial records to make sure that amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations.

**Officials' Response:**

Management intends to use a separate fund and cost center for all such grants in the future.

FINDING NUMBER 2004-002

**Noncompliance Citation**

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 that it expects to receive in revenue. In order to accomplish this end, 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 receipt and expenditure. 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 2000-008 further requires that when an entity enters into an "on-behalf-of" program with another government whereby the entity is the beneficiary under the agreement, 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.

**FINDING NUMBER 2004-002**  
**(Continued)**

Community Development Block Grant and Ohio Public Works Commission monies, in the amounts of \$35,000 and \$61,020 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 2000-008, which describes the proper accounting treatment for "on-behalf-of" programs and that the Village post all grant money received to the Village books.

**Officials' Response:**

Management did not respond to this finding.

**VILLAGE OF WEST UNITY  
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004**

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>
2003-001	Ohio Rev. Code Section 102.03(D), in-term pay increases for Council members	Yes	
2003-002	Ohio Rev. Code Section 5705.10, monies were improperly posted into the wrong fund	No	Not Corrected. Reissued as Finding #2004-001.
2003-003	Implementing monitoring controls over payroll reports, utility reports, and voucher expenditures.	Yes	







**Auditor of State  
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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  
OCTOBER 12, 2006**