



Dave Yost • Auditor of State



VILLAGE OF WEST UNION  
ADAMS COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Village of West Union, Adams County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of West Union, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2011 the Village of West Union adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 25, 2013

**VILLAGE OF WEST UNION  
ADAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$44,229	\$80,936	\$0	\$125,165
Municipal Income Tax	594,573	0		594,573
Intergovernmental	305,214	100,308		405,522
Charges for Services	503	113,663		114,166
Fines, Licenses and Permits	136,979	3,567		140,546
Earnings on Investments	2,982	375		3,357
Miscellaneous	12,000	3,951		15,951
<i>Total Cash Receipts</i>	<u>1,096,480</u>	<u>302,800</u>	<u>0</u>	<u>1,399,280</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	416,372	172,305		588,677
Public Health Services	7,388	4,552		11,940
Community Environment	475	0		475
Transportation	0	116,302		116,302
General Government	349,183	1,415		350,598
Capital Outlay	31,035	0		31,035
<i>Total Cash Disbursements</i>	<u>804,453</u>	<u>294,574</u>	<u>0</u>	<u>1,099,027</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>292,027</u>	<u>8,226</u>	<u>0</u>	<u>300,253</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	99,569	0		99,569
Other Financing Sources	7,215	2,606		9,821
Other Financing Uses	(7,664)	0		(7,664)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>99,120</u>	<u>2,606</u>	<u>0</u>	<u>101,726</u>
<i>Net Change in Fund Cash Balances</i>	391,147	10,832	0	401,979
<i>Fund Cash Balances, January 1</i>	<u>913,340</u>	<u>196,357</u>	<u>2,960</u>	<u>1,112,657</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	207,189	2,960	210,149
Assigned	5,895	0	0	5,895
Unassigned (Deficit)	1,298,592	0	0	1,298,592
<i>Fund Cash Balances, December 31</i>	<u>\$1,304,487</u>	<u>\$207,189</u>	<u>\$2,960</u>	<u>\$1,514,636</u>

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

**VILLAGE OF WEST UNION  
ADAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$1,370,493	\$0	\$1,370,493
<i>Total Operating Cash Receipts</i>	<u>1,370,493</u>	<u>0</u>	<u>1,370,493</u>
<b>Operating Cash Disbursements</b>			
Personal Services	221,374		221,374
Employee Fringe Benefits	90,306		90,306
Contractual Services	168,901		168,901
Supplies and Materials	261,959		261,959
Other	361,221		361,221
<i>Total Operating Cash Disbursements</i>	<u>1,103,761</u>	<u>0</u>	<u>1,103,761</u>
<i>Operating Income (Loss)</i>	<u>266,732</u>	<u>0</u>	<u>266,732</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	37,000		37,000
Special Assessments	3,930		3,930
Other Debt Proceeds	103,908		103,908
Miscellaneous Receipts	13,817		13,817
Capital Outlay	(103,908)		(103,908)
Principal Retirement	(218,472)		(218,472)
Interest and Other Fiscal Charges	(129,673)		(129,673)
Other Financing Sources	0	134,721	134,721
Other Financing Uses	(16,200)	(134,721)	(150,921)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(309,598)</u>	<u>0</u>	<u>(309,598)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(42,866)</u>	<u>0</u>	<u>(42,866)</u>
Transfers In	348,100		348,100
Transfers Out	(348,100)		(348,100)
<i>Net Change in Fund Cash Balances</i>	<u>(42,866)</u>	<u>0</u>	<u>(42,866)</u>
<i>Fund Cash Balances, January 1</i>	<u>350,163</u>		<u>350,163</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$307,297</u></u>	<u><u>\$0</u></u>	<u><u>\$307,297</u></u>

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



**VILLAGE OF WEST UNION  
ADAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$45,775	\$82,730	\$0	\$128,505
Municipal Income Tax	594,603	0		594,603
Intergovernmental	54,520	105,835		160,355
Charges for Services	951	78,364		79,315
Fines, Licenses and Permits	120,878	4,202		125,080
Earnings on Investments	2,677	244		2,921
Miscellaneous	26,785	2,458		29,243
<i>Total Cash Receipts</i>	<u>846,189</u>	<u>273,833</u>	<u>0</u>	<u>1,120,022</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	386,652	137,743		524,395
Public Health Services	7,589	5,703		13,292
Community Environment	1,531	0		1,531
Transportation	0	130,461		130,461
General Government	297,666	1,465		299,131
<i>Total Cash Disbursements</i>	<u>693,438</u>	<u>275,372</u>	<u>0</u>	<u>968,810</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>152,751</u>	<u>(1,539)</u>	<u>0</u>	<u>151,212</u>
<b>Other Financing (Disbursements)</b>				
Other Financing Uses	(11,272)			(11,272)
<i>Total Other Financing (Disbursements)</i>	<u>(11,272)</u>	<u>0</u>	<u>0</u>	<u>(11,272)</u>
<i>Net Change in Fund Cash Balances</i>	141,479	(1,539)	0	139,940
<i>Fund Cash Balances, January 1</i>	<u>771,861</u>	<u>197,896</u>	<u>2,960</u>	<u>972,717</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	196,357	2,960	199,317
Assigned	17,717	0	0	17,717
Unassigned (Deficit)	895,623	0	0	895,623
<i>Fund Cash Balances, December 31</i>	<u>\$913,340</u>	<u>\$196,357</u>	<u>\$2,960</u>	<u>\$1,112,657</u>

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

**VILLAGE OF WEST UNION  
ADAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$1,302,183	\$0	\$1,302,183
<i>Total Operating Cash Receipts</i>	<u>1,302,183</u>	<u>0</u>	<u>1,302,183</u>
<b>Operating Cash Disbursements</b>			
Personal Services	232,409		232,409
Employee Fringe Benefits	84,742		84,742
Contractual Services	117,454		117,454
Supplies and Materials	190,462		190,462
Other	361,567		361,567
<i>Total Operating Cash Disbursements</i>	<u>986,634</u>	<u>0</u>	<u>986,634</u>
<i>Operating Income (Loss)</i>	<u>315,549</u>	<u>0</u>	<u>315,549</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Special Assessments	100,000		100,000
Miscellaneous Receipts	5,624		5,624
Principal Retirement	(208,144)		(208,144)
Interest and Other Fiscal Charges	(139,310)		(139,310)
Other Financing Sources	0	120,914	120,914
Other Financing Uses	(100,000)	(120,914)	(220,914)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(341,830)</u>	<u>0</u>	<u>(341,830)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(26,281)</u>	<u>0</u>	<u>(26,281)</u>
Transfers In	347,500		347,500
Transfers Out	(347,500)		(347,500)
<i>Net Change in Fund Cash Balances</i>	<u>(26,281)</u>	<u>0</u>	<u>(26,281)</u>
<i>Fund Cash Balances, January 1</i>	<u>376,444</u>	<u>0</u>	<u>376,444</u>
<i>Fund Cash Balances, December 31</i>	<u>\$350,163</u>	<u>\$0</u>	<u>\$350,163</u>

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

**VILLAGE OF WEST UNION  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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 Union, Adams County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, police and fire protection, road maintenance and general government services. The Village contracts with West Union Volunteer Life Squad, Inc to receive emergency management services. The Village appropriates general fund money to support a volunteer fire department.

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

**B. Accounting Basis**

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. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Village deposits all available funds in a checking account with a commercial bank.

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

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF WEST UNION  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

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

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

**3. Debt Service Funds**

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

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

**4. 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.

**5. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant fiduciary fund:

Mayors Court Agency Fund – This fund is used to account for the collection and distribution of Mayor's Court fines, fees and bonds.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds be budgeted annually.

VILLAGE OF WEST UNION  
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

During 2011, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

3. Committed

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

**VILLAGE OF WEST UNION  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**4. Assigned**

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

**5. Unassigned**

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

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

**G. 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.

**H. 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.

**2. Equity in Pooled Deposits**

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

	2012	2011
Demand deposits	\$1,767,627	\$1,409,331
Certificates of deposit	54,306	53,489
Total deposits	\$1,821,933	\$1,462,820

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF WEST UNION  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2012 and 2011 are as follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$670,897	\$1,203,264	\$532,367
Special Revenue	345,640	305,407	(40,233)
Enterprise	2,062,600	1,529,148	(533,452)
Total	\$3,079,137	\$3,037,819	(\$41,318)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$914,153	\$812,117	\$102,036
Special Revenue	401,700	294,574	107,126
Enterprise	2,076,271	1,572,014	504,257
Total	\$3,392,124	\$2,678,705	\$713,419

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$603,080	\$846,189	\$243,109
Special Revenue	308,710	273,831	(34,879)
Enterprise	1,777,350	1,407,807	(369,543)
Total	\$2,689,140	\$2,527,827	(\$161,313)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$850,983	\$704,710	\$146,273
Special Revenue	372,850	275,372	97,478
Enterprise	1,902,954	1,434,088	468,866
Total	\$3,126,787	\$2,414,170	\$712,617

**VILLAGE OF WEST UNION  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. Property Tax**

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

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 1.0 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, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Rural Development Sewer Bond Issue - 1995	\$928,200	4.50%
USDA Rural Development Sewer Bond Issue - 1995	\$122,900	4.50%
OWDA Manchester Water Line Loan 2133 - 1999	557,802	5.86%
OWDA East Side Sewer Line Loan 3365 - 2001	178,616	2.20%
5/3rd Bank Water/Sewer Refinance Bonds - 2003	<u>705,000</u>	3.5%-5.25%
Total	<u><u>\$2,492,518</u></u>	

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

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



**VILLAGE OF WEST UNION  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. Debt (Continued)**

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

The Village entered into an OWDA Water System Planning Loan #6256 approved on August 30, 2012 at 0%, in the amount of \$150,000. As of December 31, 2012, \$103,908 had been drawn on the loan and no payments had been made. The loan will be rolled into a Water Supply Revolving Loan- Planning and Design Loan Agreement with Environmental Protection Agency. The Village has agreed to set utility rates sufficient to cover the debt. As of December 31, 2012, the loan has not been amortized; therefore the future funding requirements for the retirement of this loan have not been included in the amortization schedule below.

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

Year ending December 31:	Sewer Bonds #92-07	Sewer Bonds #92-13	OWDA Loan #2133	OWDA Loan #3365	5th/3rd Refinance Bonds
2013	\$65,869	\$44,731	\$72,664	\$24,472	\$140,738
2014	65,985	44,666	72,664	24,472	140,750
2015	66,146	44,725	72,664	24,472	140,113
2016	66,339	-	72,664	24,472	139,219
2017	66,394	-	72,664	24,472	138,069
2018-2022	334,322	-	363,320	73,415	136,663
2023-2027	339,048	-	36,332	-	-
2028-2032	344,999	-	-	-	-
2032-2034	140,024	-	-	-	-
Total	<u>\$1,489,126</u>	<u>\$134,122</u>	<u>\$762,972</u>	<u>\$195,775</u>	<u>\$835,552</u>

**7. Retirement Systems**

The Village's 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) of Ohio. 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 2012 and 2011, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. For 2012 and 2011, OPERS' members contributed 10 percent of their gross wages. The Village contributed an amount equal to 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**VILLAGE OF WEST UNION  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**8. 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.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pool Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>	
Assets	\$34,389,569	\$33,362,404	
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>	
Net Assets	<u>\$20,181,216</u>	<u>\$19,175,131</u>	

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$25,000.

**VILLAGE OF WEST UNION  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**8. Risk Management (Continued)**

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>	
<b><u>2012</u></b>	<b><u>2011</u></b>
\$28,659	\$27,455

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**9. Related Party Transactions**

During 2012 the Village sold Village property to West Union Village Green for \$95,001 which is a non-profit corporation which was incorporated by a Village Council member.

During 2012 the Village rented storage space for extra fire equipment for \$400 a month, totaling \$4,800 for the year from a relative of the Mayor.

**10. Related Organizations**

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

**11. EMS Agreement**

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

**VILLAGE OF WEST UNION  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**12. Subsequent Events**

On January 10, 2013, the Village of West Union was approved by OWDA Loan #6350 for a Water Distribution System Improvement & Tank Rehab Revolving Loan totaling \$227,946.29.

On January 11, 2013, the Ohio Environmental Protection Agency entered into a Water Supply Revolving Loan Planning and Design Loan Agreement with Ohio Water Development Authority, where the Village of West Union is defined as the "Borrower," meaning the Village is receiving the assistance in the agreement, in the approximate amount of \$1,500,000 (including the pay-off amount of loan #6256 with OWDA).



# Dave Yost • Auditor of State

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

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

To the Members of Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of West Union, Adams County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 25, 2013, wherein we noted the Village followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. We also noted the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2012-01 and 2012-03 described in the accompanying schedule of findings to be material weaknesses.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-01 and 2012-02.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242  
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

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***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

June 25, 2013

**VILLAGE OF WEST UNION  
ADAMS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-01**

**Material Noncompliance/ Material Weakness**

**Ohio Rev. Code Section 5705.09(F)**, provides that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. The Village did not establish certain funds as required by law.

- The Water Supply Revolving Loan Account Planning and Design Loan Agreement indicate that proceeds should be maintained in a separate fund. The Village recorded the loan proceeds and related expenditures in the Water Operating Fund. The loan proceeds received in 2012 were \$103,385. The Village is required to establish a separate Enterprise Improvement fund to account for the Debt Proceeds from the Loan. When the project is complete the Village will need to establish an Enterprise Debt Service Fund for payment of the debt.
- The Community Development Block Grant (CDBG) agreement indicates that funds should be maintained in a separate fund. The Village recorded the grant receipt and related expenditures in the Sewer Operating Fund. The CDBG grant was received in 2012 in the amount of \$37,000. The Village is required to establish a separate Enterprise Improvement fund to account for the CDBG grant.
- The Village received fund from a levied permissive Motor Vehicle Levy (MVL) fee and have recorded them in the Street Construction and State Highway funds instead of a separately established fund for this purpose. In 2011 permissive MVL in the amount of \$11,234 was posted to the Street Construction Fund and \$911 in the State Highway Fund and in 2012 permissive MVL in the amount of \$11,097 was posted in the Street Construction Fund and \$900 in the State Highway Fund.
- Fire Run Ordinance 2011-9 requires a new fund to be established and the receipts should be recorded in the fund and used for the purposes listed in the Ordinance. The Village recorded the fire run receipts in the General Fund but did segregate by line item the receipts and expenditures. The fire run money was first received in 2012 in the amount of \$4,608.06 and should have been posted to a Special Revenue Fund.
- The Brush Creek Fire Contract indicates the funds are to be used for fire services. The Village recorded the Contract revenue in the General Fund in 2011 and 2012. The amount of the contract was \$2,500. These funds should have been recorded in the already existing Fire Contract Fund.

By not establishing required funds, the Village increases the risk that restricted funds will be spent for purposes other than those allowed by law. We recommend that the Village establish and monitor all required funds.

Audit adjustments have been posted to the Village's accounting system and to the financial statements to reflect the correct funds and related activity.

## FINDING NUMBER 2012-02

### Material Noncompliance

**Ohio Rev. Code, Section 9.38**, provides that public money must be deposited with the Fiscal Officer or with the designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of the receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business day following the day of receipt, and the person is able to safeguard the moneys until such time as the moneys are deposited. The Village of West Union does have this extended cash depositing policy. However, during Mayor's court testing it was determined that the receipts were not being deposited within this policy for three months of receipts that were tested. Failing to deposit monies within the required time period could cause receipts to be susceptible to loss or theft. We recommend the Village implement procedures to ensure deposits are made within your cash depositing policy.

## FINDING NUMBER 2012-03

### Material Weakness

The Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints place upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

- **Nonspendable Fund Balance-** The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. (GASB 54 ¶6)
- **Restricted Fund Balance-** The restricted classification is used when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments (i.e., State Statutes); or (b) imposed by law through constitutional provisions (Village Charter) or enabling legislation. (GASB 54 ¶8)
- **Committed Fund Balance-** The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. (GASB 54 ¶10)
- **Assigned Fund Balance-** Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed (GASB 54 ¶13).



**FINDING NUMBER 2012-03  
(Continued)**

- Unassigned Fund Balance- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund (GASB 54 ¶17).

Reporting encumbered amounts for specific purposes for which have not been previously restricted, committed, or assigned should not be classified as unassigned but, rather, should be included within committed or assigned fund balance, as appropriate.

The Village classified all Special Revenue Funds totaling \$199,271 as Assigned in 2012; however, these balances, should have been classified as Restricted. Also, the Village's General Fund encumbrances of \$5,895 and \$17,717 in 2012 and 2011 respectively were classified as Unassigned rather than Assigned.

Inaccurate and misclassified fund balances fund balance classifications provide management with inaccurate information regarding the availability of fund balances.

We recommend that the Village review the GASB 54 statement and classify fund balances in accordance with the GASB 54 statement when preparing the financial statements. The Village can adopt a policy outlining the classification and regarding spending restricted, committed, assigned or unassigned resources first, when more than one is available. Auditor of State Bulletin 2011-004 clarifies the impact of GASB 54 on Ohio governmental units and provides guidance on implementation. The accompanying financial statements have been adjusted to reflect this change.

**Officials' Response:**

We did not receive a response from officials to the findings above.

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# Dave Yost • Auditor of State

**VILLAGE OF WEST UNION**

**ADAMS COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 16, 2013**