

Village of West Union

Adams County

Regular Audit

January 1, 2003 Through December 31, 2004

Fiscal Years Audited Under GAGAS: 2004 & 2003

BALESTRA, HARR & SCHERER, CPAs, INC.
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**Auditor of State
Betty Montgomery**

Members of Council
Village of West Union
West Union, Ohio

We have reviewed the *Independent Auditor's Report* of the Village of West Union, Adams County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of West Union is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

September 19, 2005

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VILLAGE OF WEST UNION
ADAMS COUNTY

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of Council
Village of West Union
923 Sunrise Avenue
West Union, Ohio 45693

We have audited the accompanying financial statements of the Village of West Union, Adams County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village of West Union'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 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of West Union, and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the 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.

Village of West Union
Adams County
Independent Auditor's Report

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In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2005 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

July 8, 2005

VILLAGE OF WEST UNION
ADAMS COUNTY

COMBINED STATEMENT OF CASH AND FUND
CASH BALANCES - ALL FUND TYPES
AS OF DECEMBER 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Total Cash and Cash Equivalents	\$1,192,224	\$535,067
 <u>CASH BALANCES BY FUND TYPE</u>		
Governmental Fund Type:		
General	766,851	103,703
Special Revenue	84,111	65,001
Debt Service	42,435	29,128
Capital Projects	7,850	12,850
Proprietary Fund Type:		
Enterprise	290,977	324,385
Fiduciary Fund Type:		
Agency	<u>0</u>	<u>0</u>
Total	<u>\$1,192,224</u>	<u>\$535,067</u>

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

VILLAGE OF WEST UNION
ADAMS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, 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	
Cash Receipts					
Local Taxes	\$426,129	\$191,030	\$65,483	\$0	\$682,642
Charges for Services	46,963	3,890	0	0	50,853
Fines, Licenses and Permits	66,433	888	0	0	67,321
Intergovernmental Receipts	796,893	101,085	3,525	0	901,503
All Other Receipts	9,584	11	0	0	9,595
Total Cash Receipts	1,346,002	296,904	69,008	0	1,711,914
Cash Disbursements					
Current					
Security of Persons and Property	322,124	62,417	1,931	0	386,472
Public Health Services	0	13,828	0	0	13,828
General Government	214,073	0	0	0	214,073
Community Environment	2,907	6,487	0	0	9,394
Transportation	17,547	208,598	0	0	226,145
Capital Outlay	116,592	0	0	0	116,592
Debt Service	0	0	53,770	0	53,770
Total Cash Disbursements	673,243	291,330	55,701	0	1,020,274
Total Receipts Over/(Under) Disbursements	672,759	5,574	13,307	0	691,640
Other Financing Sources (Uses):					
Proceeds of Bonds	0	0	0	0	0
Interest	6,223	2	0	0	6,225
Sale of Fixed Assets	0	0	0	0	0
Transfers - In	0	13,534	0	0	13,534
Transfers - Out	(15,834)	0	0	(5,000)	(20,834)
Total Other Financing Sources (Uses)	(9,611)	13,536	0	(5,000)	(1,075)
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Uses	663,148	19,110	13,307	(5,000)	690,565
Fund Cash Balances, January 1, 2004	103,703	65,001	29,128	12,850	210,682
Fund Cash Balances, December 31, 2004	\$766,851	\$84,111	\$42,435	\$7,850	\$901,247
Reserve for Encumbrances, December 31, 2004	\$0	\$0	\$0	\$0	\$0

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

VILLAGE OF WEST UNION
ADAMS COUNTY

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

	GOVERNMENTAL FUND TYPES				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Local Taxes	\$382,910	\$222,683	\$68,063	\$0	\$673,656
Charges for Services	44,556	0	0	0	44,556
Fines, Licenses and Permits	79,132	993	0	0	80,125
Intergovernmental Receipts	91,421	94,456	0	340,383	526,260
All Other Receipts	1,673	4,779	0	0	6,452
Total Cash Receipts	599,692	322,911	68,063	340,383	1,331,049
Cash Disbursements					
Current					
Security of Persons and Property	288,098	57,193	1,922	0	347,213
Public Health Services	9,750	17,510	0	0	27,260
General Government	208,692	5,348	0	0	214,040
Community Environment	15,813	6,147	0	0	21,960
Basic Utility Service	18,380	0	0	163,966	182,346
Transportation	24,825	215,254	0	0	240,079
Capital Outlay	11,526	6,837	0	207,021	225,384
Debt Service	0	0	64,528	0	64,528
Total Cash Disbursements	577,084	308,289	66,450	370,987	1,322,810
Total Receipts Over/(Under) Disbursements	22,608	14,622	1,613	(30,604)	8,239
Other Financing Sources (Uses):					
Proceeds of Bonds	0	0	0	0	0
Interest	8,014	3	0	0	8,017
Sale of Fixed Assets	897	0	0	0	897
Transfers - In	15,199	699	0	0	15,898
Transfers - Out	(25,556)	(15,199)	0	(2,150)	(42,905)
Advances - In	0	0	0	0	0
Advances - Out	0	0	0	0	0
Total Other Financing Sources (Uses)	(1,446)	(14,497)	0	(2,150)	(18,093)
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Uses	21,162	125	1,613	(32,754)	(9,854)
Fund Cash Balances, January 1, 2003	82,541	64,876	27,515	45,604	220,536
Fund Cash Balances, December 31, 2003	<u>\$103,703</u>	<u>\$65,001</u>	<u>\$29,128</u>	<u>\$12,850</u>	<u>\$210,682</u>
Reserve for Encumbrances, December 31, 2003	<u>\$42,707</u>	<u>\$2,398</u>	<u>\$0</u>	<u>\$0</u>	<u>\$45,105</u>

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

VILLAGE OF WEST UNION
ADAMS COUNTY

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

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	Enterprise	Agency	
Cash Operating Receipts			
Charges for Services	\$1,117,935	\$0	\$1,117,935
Other Operating Revenue	0	0	0
Total Cash Operating Receipts	1,117,935	0	1,117,935
Cash Operating Disbursements			
Purchased Water	312,402	0	312,402
Personal Services	219,571	0	219,571
Employee Fringe Benefits	90,203	0	90,203
Contractual Services	78,021	0	78,021
Supplies and Materials	138,946	0	138,946
Miscellaneous	2,374	0	2,374
Total Cash Operating Disbursements	841,517	0	841,517
Operating Receipts Over/(Under)			
Operating Disbursements	276,418	0	276,418
Non-Operating Receipts (Disbursements)			
Debt Service	(328,841)	0	(328,841)
Miscellaneous	11,715	64,363	76,078
Distributions	0	(64,363)	(64,363)
Total Non-Operating Receipts (Disbursements)	(317,126)	0	(317,126)
Excess of Receipts Over/(Under)			
Disbursements Before Transfers	(40,708)	0	(40,708)
Operating Transfers - In	251,535	0	251,535
Operating Transfers - Out	(244,235)	0	(244,235)
Net Receipts Over/(Under) Disbursements	(33,408)	0	(33,408)
Fund Cash Balance, January 1, 2004	324,385	0	324,385
Fund Cash Balance, December 31, 2004	<u>\$290,977</u>	<u>\$0</u>	<u>\$290,977</u>

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

VILLAGE OF WEST UNION
ADAMS COUNTY

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

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	Enterprise	Agency	
Cash Operating Receipts			
Charges for Services	\$1,143,397	\$0	\$1,143,397
Other Operating Revenue	0	0	0
Total Cash Operating Receipts	1,143,397	0	1,143,397
Cash Operating Disbursements			
Purchased Water	340,624	0	340,624
Personal Services	198,821	0	198,821
Employee Fringe Benefits	74,689	0	74,689
Contractual Services	102,722	0	102,722
Supplies and Materials	98,093	0	98,093
Miscellaneous	3,450	0	3,450
Total Cash Operating Disbursements	818,399	0	818,399
Operating Receipts Over/(Under)			
Operating Disbursements	324,998	0	324,998
Non-Operating Receipts (Disbursements)			
Proceeds from the Sale of Bonds	1,500,000	0	1,500,000
Debt Service	(1,863,454)	0	(1,863,454)
Miscellaneous	9,871	71,745	81,616
Distributions	0	(71,745)	(71,745)
Total Non-Operating Receipts (Disbursements)	(353,583)	0	(353,583)
Excess of Receipts Over/(Under)			
Disbursements Before Transfers	(28,585)	0	(28,585)
Operating Transfers - In	312,474	0	312,474
Operating Transfers - Out	(285,467)	0	(285,467)
Net Receipts Over/(Under) Disbursements	(1,578)	0	(1,578)
Fund Cash Balance, January 1, 2003	325,963	0	325,963
Fund Cash Balance, December 31, 2003	<u>\$324,385</u>	<u>\$0</u>	<u>\$324,385</u>

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

VILLAGE OF WEST UNION
ADAMS COUNTY

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$ 739,670	\$ 1,352,225	\$ 612,555
Special Revenue	273,667	310,440	36,773
Debt Service	310,756	69,008	(241,748)
Capital Project	188,958	0	(188,958)
Proprietary			
Enterprise	1,150,900	1,381,185	230,285
Total (Memorandum Only)	<u>\$ 2,663,951</u>	<u>\$ 3,112,858</u>	<u>\$ 448,907</u>

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

VILLAGE OF WEST UNION
ADAMS COUNTY

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$ 616,489	\$ 623,802	\$ 7,313
Special Revenue	302,991	323,613	20,622
Debt Service	381,967	68,063	(313,904)
Capital Project	342,568	340,383	(2,185)
Proprietary			
Enterprise	1,149,877	2,965,742	1,815,865
Total (Memorandum Only)	<u>\$ 2,793,892</u>	<u>\$ 4,321,603</u>	<u>\$ 1,527,711</u>

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

VILLAGE OF WEST UNION
ADAMS COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2004

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$ 750,184	\$ 689,077	\$ 61,107
Special Revenue	307,400	291,330	16,070
Debt Service	56,500	55,701	799
Capital Project	193,958	5,000	188,958
Proprietary			
Enterprise	1,515,900	1,414,593	101,307
Total (Memorandum Only)	<u>\$ 2,823,942</u>	<u>\$ 2,455,701</u>	<u>\$ 368,241</u>

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

VILLAGE OF WEST UNION
ADAMS COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2003

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$ 672,300	\$ 645,955	\$ 26,345
Special Revenue	333,640	325,886	7,754
Debt Service	67,350	66,450	900
Capital Project	373,172	373,137	35
Proprietary			
Enterprise	1,514,543	2,968,731	(1,454,188)
Total (Memorandum Only)	<u>\$ 2,961,005</u>	<u>\$ 4,380,159</u>	<u>\$ (1,419,154)</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, 2004 & 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of West Union (Village) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: Security of persons and property, public health and welfare, and community development. Educational services are provided by Ohio Valley Local School District. The District is a separate governmental entity and its financial statements are not included in those presented in this report.

The financial statements of the Mayor's Court are included in the Village's financial statements as an agency fund because of the oversight responsibility exercised by Village Council through its budgetary authorizations for court operations.

Management believes the financial statements included in this report represent all of the funds of the Village for which the Village is financially accountable.

B. BASIS OF ACCOUNTING

The financial statements were prepared on the basis of accounting prescribed or permitted by the Auditor of State. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

C. INVESTMENTS AND INACTIVE FUNDS

Investment procedures are restricted by the provisions of the Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

GOVERNMENTAL FUND TYPE:

General Fund

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

VILLAGE OF WEST UNION
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 & 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING (continued)

GOVERNMENTAL FUND TYPE: (continued)

Special Revenue Funds

To account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified 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.

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

Street Improvement Levy Fund – This fund receives property tax monies from a specific tax levy for constructing, maintaining and repairing Village streets.

Debt Service Fund

To account for the accumulation of resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Fire Bond - set up to repay debt from fire loans.

Capital Projects Funds

To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

PROPRIETARY FUND TYPE:

Enterprise Funds

To account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The Village had the following significant enterprise funds:

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

Sewer Fund - Receives charges for services from residents to cover the cost of providing this utility.

VILLAGE OF WEST UNION
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 & 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING (continued)

FIDUCIARY FUND TYPE:

Agency Fund

Agency funds are used to account for monies collected by one governmental unit for another governmental unit. The Village had the following significant fiduciary fund:

Mayor's Court - Accounts for activity in mayor's court bank account

E. BUDGETARY PROCESS

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

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

VILLAGE OF WEST UNION
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 & 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand Deposits	\$ <u>1,279,558</u>	\$ <u>571,883</u>
Total Deposits	<u>1,279,558</u>	<u>571,883</u>
Reconciling Items	<u>(87,334)</u>	<u>(36,816)</u>
Carrying Amount	\$ <u>1,192,224</u>	\$ <u>535,067</u>

Deposits were either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution or the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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.

VILLAGE OF WEST UNION
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 & 2003

4. DEBT

Debt outstanding at year end consisted of the following:

	<u>12/31/2004</u>	<u>12/31/2003</u>
Sanitary Sewerage System		
Construction-Bond Anticipation Note 92-07		
Principal Outstanding	\$ 1,084,000	\$1,099,600
Interest Rate	4.50%	4.50%
Sanitary Sewerage System		
Construction-Bond Anticipation Note 92-13		
Principal Outstanding	\$ 381,300	\$ 407,700
Interest Rate	4.50%	4.50%
Fire Equipment-Bond Levy		
Principal Outstanding	\$ 135,000	\$ 178,000
Interest Rate	5.91%	5.91%
OWDA Loan – 2133		
Principal Outstanding	\$ 807,431	\$ 831,376
Interest Rate	5.86%	5.86%
OWDA Loan – 3365		
Principal Outstanding	\$ 324,124	\$ 316,431
Interest Rate	2.20%	2.20%
5/3 rd Bank Refinance Bonds #643340		
Principal Outstanding	\$1,425,000	\$1,500,000
Interest Rate	3.50% - 5.125%	3.50% - 5.125%

During fiscal year 2003 the Village issued \$1,500,000 in bonds to payoff two sanitary sewer mortgage revenue bonds (#'s 92-01 and 92-03) and a first mortgage water system revenue bond (#91-04). The interest rates on the new bonds range from 3.5% to 5.125% with a final maturity date of November 2018.

VILLAGE OF WEST UNION
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 & 2003

4. DEBT (continued)

General obligation bonds are direct obligations of the Village for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property within the Village. Revenue bonds and bond anticipation notes are direct obligations of the Village for which its full faith, credit and resources are pledged and are payable from the enterprise fund. The annual requirements to amortize all bonded debt outstanding as of December 31, 2004, including interest payments of \$2,245,570 are as follows:

Year Ending December 31	5/3 rd Refinance Bonds	OWDA Loan # 3365	Fire Bond Levy	OWDA Loan # 2133
2005	\$ 145,688	\$ 23,034	\$ 53,979	\$ 72,664
2006	142,888	23,034	53,260	72,664
2007	140,088	23,034	43,423	72,664
2008	157,288	23,034	-	72,664
2009	143,788	23,034	-	72,664
2010-2014	616,306	115,170	-	363,320
2015-2019	640,911	115,170	-	363,320
2020-2024	-	34,551	-	290,656
2025-2029	-	-	-	-
Thereafter	-	-	-	-
	<u>\$1,986,957</u>	<u>\$380,061</u>	<u>\$150,662</u>	<u>\$1,380,616</u>

Year Ending December 31	Sewer Bonds (92-13)	Sewer Bonds (92-07)	Totals (Memorandum Only)
2005	\$ 44,659	\$ 65,080	\$ 405,104
2006	44,721	65,147	401,714
2007	44,725	65,277	389,211
2008	44,671	65,367	363,024
2009	44,758	65,417	349,661
2010-2014	223,526	328,869	1,647,191
2015-2019	44,724	332,060	1,496,185
2020-2024	-	336,036	661,243
2025-2029	-	341,234	341,234
Thereafter	-	347,858	347,858
	<u>\$ 491,784</u>	<u>\$ 2,012,345</u>	<u>\$6,402,425</u>

5. RISK MANAGEMENT

The Village maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. A Village Liability Policy is maintained by the Village with private carriers up to a maximum amount of \$1,000,000 per each occurrence and \$1,000,000 aggregate.

VILLAGE OF WEST UNION
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 & 2003

6. RETIREMENT SYSTEM

The Village's law enforcement officers belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

7. LOCAL INCOME TAX

This locality levied tax of one-half percent which applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village of West Union and to earnings of nonresidents earned in the Village. The tax also applies to net income of business organizations conducted within the Village. Proceeds of the tax are credited to the general fund.

8. CONTINGENCIES

A. Grants

The Village received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Village at December 31, 2004.

B. Litigation

The Village is party to legal proceedings. The Village is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the Village.

BALESTRA, HARR & SCHERER, CPAs, INC.
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

Members of Council
Village of West Union
923 Sunrise Avenue
West Union, Ohio 45693

We have audited the financial statements of the Village of West Union, Adams County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 8, 2005, 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 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.

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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

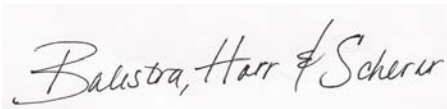
As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004/2003-001 and 2004/2003-002.

Village of West Union
Adams County

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Governmental Auditing Standards*
Page 2

We noted certain matters that we reported to the management of the Village in a separate letter dated July 8, 2005.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored, slightly textured background.

Balestra, Harr & Scherer, CPAs, Inc.

July 8, 2005

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004/2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.36 states that in order to facilitate repayment of debt, at the time the notes or bonds are issued, the subdivision should request from the County Budget Commission an Amended Certificate of Estimated Resources. The new certificate should contain an increase in the estimate of bond retirement fund receipts equal to the amount which will be allocated to the fund for the repayment of the notes or bonds, including interest. In addition, the amount of the general fund (or other appropriate fund) estimate should be reduced by the amount of interest generated by the issuance of the notes or bonds.

The Village failed to obtain an Amended Certificate of Estimated Resources from the County Budget Commission when the government refinanced bonds in the amount of \$1,500,000 during fiscal year 2003.

We recommend that the Village obtain an Amended Certificate of Estimated Resources from the County Budget Commission when refinancing debt.

FINDING NUMBER 2004/2003-002

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2003, expenditures exceeded appropriations in the enterprise funds by \$1,454,188. The reason for the noncompliance was due to the Village failing to approve an appropriation amendment when the Village refinanced debt in the amount of \$1,500,000.

We recommend that the Village approve an appropriation amendment when the Village refinances debt.

**VILLAGE OF WEST UNION
ADAMS COUNTY**

**CORRECTIVE ACTION PLAN
FOR FINDINGS REPORTED IN THE GAGAS REPORT
DECEMBER 31, 2004 AND 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person(s)
2004/2003-001	This condition was not applicable in 2004. The Village was not aware that their debt refinancing had to be recorded at the gross amount rather than the net amount. The Village will ensure that any future debt refinancing is posted at the gross amount and the Village will obtain an amended certificate of estimated resources for the gross amount of debt refinanced rather than the net amount.	Immediately	Village Clerk
2004/2003-002	This condition was not applicable in 2004. The Village was not aware that their debt refinancing had to be recorded at the gross amount rather than the net amount. The Village will ensure that any future debt refinancing is posted at the gross amount and the Village will prepare and approve an appropriation amendment for the gross amount of debt repaid rather than the net amount.	Immediately	Village Clerk



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140
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800-282-0370
Facsimile 614-466-4490

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
SEPTEMBER 29, 2005**