



**Auditor of State
Betty Montgomery**

VILLAGE OF WEST UNITY
WILLIAMS COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of West Unity, Williams County, (the Village) as of and for the years ended December 31, 2002 and 2001. 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 audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of West Unity, Williams County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2003, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Village of West Unity
Williams County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 9, 2003

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**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types	
	General	Special Revenue
Cash Receipts:		
Property Tax and Other Local Taxes	\$183,735	\$23,269
Intergovernmental Receipts	114,550	81,589
Fines, Licenses, and Permits	11,044	225
Earnings on Investments	17,020	421
Miscellaneous	27,537	460
	<u>353,886</u>	<u>105,964</u>
Total Cash Receipts		
Cash Disbursements:		
Current:		
Security of Persons and Property	175,188	
Public Health Services	4,163	
Leisure Time Activities		11,907
Community Environment	1,478	
Basic Utility Services	5,131	
Transportation	69,902	73,698
General Government	104,971	
Debt Service:		
Principal Payments		
Interest Payments		
Capital Outlay	2,203	8,885
	<u>363,036</u>	<u>94,490</u>
Total Cash Disbursements		
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(9,150)</u>	<u>11,474</u>
Other Financing Disbursements:		
Other Uses	<u>(11,194)</u>	
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(20,344)</u>	<u>11,474</u>
Fund Cash Balances, January 1	<u>134,852</u>	<u>39,375</u>
Fund Cash Balances, December 31	<u>\$114,508</u>	<u>\$50,849</u>
Reserves for Encumbrances, December 31	<u>\$16,645</u>	<u>\$1,134</u>

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

<u>Governmental Fund Types</u>		<u>Totals</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
\$226,872	\$87,258	\$521,134
		196,139
		11,269
		17,441
	12,600	40,597
<u>226,872</u>	<u>99,858</u>	<u>786,580</u>
		175,188
		4,163
		11,907
		1,478
		5,131
		143,600
		104,971
99,601		99,601
96,928		96,928
	94,556	105,644
<u>196,529</u>	<u>94,556</u>	<u>748,611</u>
<u>30,343</u>	<u>5,302</u>	<u>37,969</u>
		(11,194)
30,343	5,302	26,775
<u>168,320</u>	<u>56,018</u>	<u>398,565</u>
<u>\$198,663</u>	<u>\$61,320</u>	<u>\$425,340</u>
	<u><u>\$31,559</u></u>	<u><u>\$49,338</u></u>

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**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$268,836		\$268,836
Miscellaneous	3,946	\$50	3,996
Total Operating Cash Receipts	<u>272,782</u>	<u>50</u>	<u>272,832</u>
Operating Cash Disbursements:			
Personal Services	157,963		157,963
Travel Transportation	621		621
Supplies and Materials	152,996		152,996
Capital Outlay	113,916		113,916
Total Operating Cash Disbursements	<u>425,496</u>		<u>425,496</u>
Operating Income/(Loss)	<u>(152,714)</u>	<u>50</u>	<u>(152,664)</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	8,500		8,500
Other Non-Operating Receipts		2,391	2,391
Total Non-Operating Cash Receipts	<u>8,500</u>	<u>2,391</u>	<u>10,891</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	11,911	8,987	20,898
Net Cash Disbursements Over Cash Receipts	(156,125)	(6,546)	(162,671)
Fund Cash Balances, January 1	<u>363,736</u>	<u>66,023</u>	<u>429,759</u>
Fund Cash Balances, December 31	<u>\$207,611</u>	<u>\$59,477</u>	<u>\$267,088</u>
Reserve for Encumbrances, December 31	<u>\$7,120</u>	<u>\$1,645</u>	<u>\$8,765</u>

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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types	
	General	Special Revenue
Cash Receipts:		
Property Tax and Other Local Taxes	\$181,228	\$22,715
Intergovernmental Receipts	107,836	79,841
Fines, Licenses, and Permits	10,278	135
Earnings on Investments	37,245	502
Miscellaneous	12,247	5,479
	<u>348,834</u>	<u>108,672</u>
Total Cash Receipts		
Cash Disbursements:		
Current:		
Security of Persons and Property	181,629	862
Public Health Services	7,661	
Leisure Time Activities		14,224
Community Environment	1,450	
Basic Utility Services	8,967	
Transportation	24,713	92,918
General Government	104,441	
Debt Service:		
Principal Payments		
Interest Payments		
Capital Outlay	28,126	10,000
	<u>356,987</u>	<u>118,004</u>
Total Cash Disbursements		
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(8,153)</u>	<u>(9,332)</u>
Other Financing Receipts and (Disbursements):		
Transfers-In		8,300
Transfers-Out	(8,300)	
Other Uses	(4,810)	
	<u>(13,110)</u>	<u>8,300</u>
Total Other Financing Receipts and Disbursements		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(21,263)	(1,032)
Fund Cash Balances, January 1	<u>156,115</u>	<u>40,407</u>
Fund Cash Balances, December 31	<u>\$134,852</u>	<u>\$39,375</u>
Reserves for Encumbrances, December 31	<u>\$8,127</u>	<u>\$1,947</u>

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

<u>Governmental Fund Types</u>		<u>Totals</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
\$216,082	\$83,108	\$503,133
		187,677
		10,413
		37,747
	1,600	19,326
<u>216,082</u>	<u>84,708</u>	<u>758,296</u>
		182,491
		7,661
		14,224
		1,450
		8,967
		117,631
	1,267	105,708
96,661		96,661
101,118		101,118
	86,610	124,736
<u>197,779</u>	<u>87,877</u>	<u>760,647</u>
<u>18,303</u>	<u>(3,169)</u>	<u>(2,351)</u>
		8,300
		(8,300)
		(4,810)
		(4,810)
18,303	(3,169)	(7,161)
<u>150,017</u>	<u>59,187</u>	<u>405,726</u>
<u>\$168,320</u>	<u>\$56,018</u>	<u>\$398,565</u>
		<u>\$10,074</u>

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**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$272,272		\$272,272
Miscellaneous	7,456	\$100	7,556
Total Operating Cash Receipts	279,728	100	279,828
Operating Cash Disbursements:			
Personal Services	136,933		136,933
Travel Transportation	627		627
Supplies and Materials	147,740		147,740
Capital Outlay	24,897		24,897
Total Operating Cash Disbursements	310,197		310,197
Operating Income/(Loss)	(30,469)	100	(30,369)
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		5,167	5,167
Total Non-Operating Cash Receipts		5,167	5,167
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	15,074		15,074
Net Cash Receipts Over/ (Under) Cash Disbursements	(45,543)	5,267	(40,276)
Fund Cash Balances, January 1	409,279	60,756	470,035
Fund Cash Balances, December 31	\$363,736	\$66,023	\$429,759
Reserve for Encumbrances, December 31	\$7,303		\$7,303

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

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**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of West Unity, Williams County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, street maintenance, park operations (leisure time activities), and police services. The Village contracts with Brady Township to provide fire protection services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

Parks and Recreation Fund – This fund receives park tax levy money to maintain park operations and other leisure time activities.

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

3. Debt Service Fund

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

The Village's Debt Service Fund is being used to retire mortgage revenue bonds and loan proceeds received from the Ohio Water Development Authority.

4. Capital Project Fund

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

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

5. Enterprise Funds

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

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

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

6. Fiduciary Fund (Trust Fund)

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

E. Budgetary Process

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

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(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 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 reappropriated.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2002	2001
Cash on hand	\$175	\$175
Demand deposits	191,253	327,149
Certificates of deposit	501,000	501,000
Total deposits and cash on hand	\$692,428	\$828,324

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

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$300,000	\$353,886	\$53,886
Special Revenue	90,100	105,964	15,864
Debt Service	210,000	226,872	16,872
Capital Projects	105,000	99,858	(5,142)
Enterprise	267,875	281,282	13,407
Fiduciary	5,125	2,441	(2,684)
Total	\$978,100	\$1,070,303	\$92,203

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$428,127	\$390,875	\$37,252
Special Revenue	116,746	95,624	21,122
Debt Service	248,529	196,529	52,000
Capital Projects	150,000	126,115	23,885
Enterprise	459,267	444,527	14,740
Fiduciary	14,036	10,632	3,404
Total	\$1,416,705	\$1,264,302	\$152,403

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$260,000	\$348,834	\$88,834
Special Revenue	90,100	116,972	26,872
Debt Service	220,000	216,082	(3,918)
Capital Projects	95,000	84,708	(10,292)
Enterprise	276,693	279,728	3,035
Fiduciary	307	5,267	4,960
Total	\$942,100	\$1,051,591	\$109,491

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$405,813	\$378,224	\$27,589
Special Revenue	137,478	119,951	17,527
Debt Service	249,779	197,779	52,000
Capital Projects	95,000	87,877	7,123
Enterprise	495,622	332,574	163,048
Fiduciary	7,613	7,613	-
Total	\$1,391,305	\$1,116,405	\$274,900

4. PROPERTY TAX

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

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

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

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

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$1,623,702	4.12%
Mortgage Revenue Bonds	529,000	5.00%
Total	\$2,152,702	

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

The Ohio Water Development Authority (OWDA) loan relates to a sewer facilities improvement project. The OWDA has approved up to \$2,010,000 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$71,390, including interest, over 20 years. The scheduled payment amounts below were established by OWDA and assume that \$1,932,477 will be borrowed. The scheduled payments will be adjusted to reflect any revisions in amounts actually borrowed.

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

As required by the mortgage revenue bond covenant, the Village has established and funded a sewer reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2002 was \$54,000.

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

Year ending December 31:	OWDA Loan	Mortgage Revenue Bonds
2003	\$142,779	\$53,450
2004	142,779	53,100
2005	142,779	53,700
2006	142,779	53,200
2007	142,779	53,650
2008-2012	713,895	267,800
2013-2017	713,896	213,200
Subsequent	71,390	
Total	\$2,213,076	\$748,100

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of their wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

8. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan Pool, (the Pool), an unincorporated non-profit association with over 600 governmental entity members providing a

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

formalized, jointly administered self-insurance risk management program and other administrative services.

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

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

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

8. COMPLIANCE

- A. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.
- B. Contrary to the requirements of the Ohio Revised Code, six council members received in-term raises.

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**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of West Unity, Williams County, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 9, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2002-30186-001 and 2002-30186-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 9, 2003.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving

the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 9, 2003.

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

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

Betty Montgomery
Auditor of State

April 9, 2003

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-30186-001

Noncompliance Citation

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

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

Council Member	In-term Increase
Ronald Hausch	\$4,000
Frank Wilcox	4,000
James Frazer	2,000
Kevin Whitlock	2,000
Mark Nafziger	2,000
Robert Boldman	667
Total	\$14,667

FINDING NUMBER 2002-30186-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no order or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

FINDING NUMBER 2002-30186-002
(Continued)

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is not legal liability on the part of the subdivision or taxing district.
- B. Amounts less than \$1,000 for political subdivisions other than counties may be paid by the fiscal officer without such certificate of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Forty-three percent of the transactions tested were not certified by the Clerk-Treasurer prior to making orders for the disbursement of Village funds. The Clerk-Treasurer did not indicate these expenditures as "then and now" certifications.

The Clerk-Treasurer should make sure that purchase orders are properly approved and if not certified before the obligation is made that these expenditures have been certified as "then and now" expenditures when the disbursement is made. The Clerk-Treasurer should consult Auditor of State Bulletin 2003-001 for further guidance regarding "then and now" certification.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-30186-001	Ordinance 1999-9, compensation of Chief of Police upon completion of his probationary period was incorrectly calculated which resulted in an overpayment of wages in 1999.	Yes	Fully corrected. Finding was repaid under audit.
2000-30186-002	Ohio Revised Code § 5705.41(B), expenditures exceeded appropriations in one fund in 1999 and 2000.	No	Partially corrected reducing this to a management letter comment.
2000-30186-003	Recommended that amounts of estimated receipts and expenditures posted to the accounting system agree to those authorized by Council.	No	Partially corrected reducing this to a management letter comment.



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Betty Montgomery**

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VILLAGE OF WEST UNITY

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 20, 2003**