



**Auditor of State
Betty Montgomery**

**VILLAGE OF WESTON
WOOD COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Weston
Wood County
13234 Main Street
P.O. Box 354
Weston, Ohio 43569-0354

To the Village Council:

We have audited the accompanying financial statements of the Village of Weston, Wood County, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments

We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2003 and 2002, 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 November 19, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of 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.



Betty Montgomery
Ohio Auditor of State

November 19, 2004

**VILLAGE OF WESTON
WOOD COUNTY**

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 28,979	\$ 21,575			\$ 50,554
Municipal Income Tax	260,222				260,222
Special Assessments		11,017		\$ 4,072	15,089
Intergovernmental Receipts	42,440	76,639		20,000	139,079
Charges for Services	12,000	80,103			92,103
Fines, Licenses, and Permits	9,498				9,498
Earnings on Investments	12,499	264		57	12,820
Miscellaneous	24,327	800			25,127
Total Cash Receipts	389,965	190,398		24,129	604,492
Cash Disbursements:					
Current:					
Security of Persons and Property	97,931	66,476			164,407
Public Health Services	348	21,919			22,267
Leisure Time Activities	13,343				13,343
Community Environment	304				304
Basic Utility Services	3,273				3,273
Transportation		53,661		28,233	81,894
General Government	174,685	570		244	175,499
Debt Service:					
Principal Payments			\$ 200,000		200,000
Interest Payments			8,111		8,111
Capital Outlay	53,503	24,762		65,904	144,169
Total Cash Disbursements	343,387	167,388	208,111	94,381	813,267
Total Receipts Over/(Under) Disbursements	46,578	23,010	(208,111)	(70,252)	(208,775)
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes			150,000		150,000
Transfers-In			58,111	103,595	161,706
Other Financing Sources	32,790				32,790
Transfers-Out	(161,706)				(161,706)
Total Other Financing Receipts/(Disbursements)	(128,916)		208,111	103,595	182,790
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(82,338)	23,010		33,343	(25,985)
Fund Cash Balances, January 1	428,139	150,192		8,992	587,323
Fund Cash Balances, December 31	\$ 345,801	\$ 173,202		\$ 42,335	\$ 561,338

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

**VILLAGE OF WESTON
WOOD COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$ 540,516		\$ 540,516
Earnings on Investments		\$ 493	493
Miscellaneous	44	1,000	1,044
Total Operating Cash Receipts	540,560	1,493	542,053
Operating Cash Disbursements:			
Personal Services	53,155		53,155
Fringe Benefits	25,335		25,335
Contractual Services	290,307		290,307
Supplies and Materials	34,940	709	35,649
Other	4,771		4,771
Total Operating Cash Disbursements	408,508	709	409,217
Operating Income	132,052	784	132,836
Non-Operating Cash Disbursements:			
Debt Service	130,592		130,592
Total Non-Operating Cash Disbursements	130,592		130,592
Net Receipts Over Disbursements	1,460	784	2,244
Fund Cash Balances, January 1	159,690	30,477	190,167
Fund Cash Balances, December 31	\$ 161,150	\$ 31,261	\$ 192,411

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

**VILLAGE OF WESTON
WOOD 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			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 25,613	\$ 20,277		\$ 45,890
Municipal Income Tax	251,841			251,841
Special Assessments		11,333		19,957
Intergovernmental Receipts	35,836	78,951		249,679
Charges for Services	13,806	68,729		82,535
Fines, Licenses, and Permits	1,810			1,810
Earnings on Investments	20,207	212		20,460
Miscellaneous	32,817	1,047		33,864
Total Cash Receipts	381,930	180,549		706,036
Cash Disbursements:				
Current:				
Security of Persons and Property	85,807	73,381		159,188
Public Health Services	690	20,152		20,842
Leisure Time Activities	6,017			6,017
Community Environment	1,930			1,930
Basic Utility Services	3,410			3,410
Transportation		49,188		49,188
General Government	180,977	364		181,341
Debt Service:				
Principal Payments			\$ 250,000	250,000
Interest Payments			10,139	10,139
Capital Outlay	123,723			828,767
Total Cash Disbursements	402,554	143,085	260,139	1,510,822
Total Receipts Over/(Under) Disbursements	(20,624)	37,464	(260,139)	(804,786)
Other Financing Receipts and (Disbursements):				
Sale of Bonds or Notes			200,000	200,000
Proceeds of Loans				529,790
Transfers-In			60,139	100,828
Transfers-Out	(160,828)			(160,828)
Total Other Financing Receipts/(Disbursements)	(160,828)		260,139	669,790
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(181,452)	37,464		(134,996)
Fund Cash Balances, January 1	609,591	112,728		722,319
Fund Cash Balances, December 31	\$ 428,139	\$ 150,192		\$ 587,323

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

**VILLAGE OF WESTON
WOOD 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**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$ 542,252		\$ 542,252
Earnings on Investments		\$ 912	912
Miscellaneous	238		238
Total Operating Cash Receipts	542,490	912	543,402
Operating Cash Disbursements:			
Personal Services	48,124		48,124
Fringe Benefits	26,280		26,280
Contractual Services	279,529		279,529
Supplies and Materials	46,568	532	47,100
Capital Outlay	8,869		8,869
Total Operating Cash Disbursements	409,370	532	409,902
Operating Income	133,120	380	133,500
Non-Operating Cash Receipts:			
Intergovernmental Receipts	1,384		1,384
Total Non-Operating Cash Receipts	1,384		1,384
Non-Operating Cash Disbursements:			
Debt Service	131,217		131,217
Total Non-Operating Cash Disbursements	131,217		131,217
Excess of Receipts Over Disbursements Before Interfund Transfers	3,287	380	3,667
Transfers-In	60,000		60,000
Net Receipts Over Disbursements	63,287	380	63,667
Fund Cash Balances, January 1	96,403	30,097	126,500
Fund Cash Balances, December 31	\$ 159,690	\$ 30,477	\$ 190,167

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

**VILLAGE OF WESTON
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Weston, Wood 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 water and sewer utilities, park operations, fire, and EMS services. The Village contracts with the Wood County Sheriff's department to provide security of persons and property.

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

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.

**VILLAGE OF WESTON
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2. Special Revenue Funds

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.

EMS Fund - This fund receives charges for services revenue to fund emergency management services.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village utilizes this fund to account for the payment of the bond anticipation notes.

4. Capital Project Funds

These funds are 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 had the following significant capital project funds:

Phase I Sewer Project Fund - This fund receives distributions from the Ohio Public Works Commission and the Ohio Water Development Authority to fund improvements at the wastewater treatment plant.

Main Street Paving Fund - This fund receives distributions from the General Fund to fund the repaving of Main Street.

Waterline Project Emergency Fund - This fund receives distributions from the General Fund to fund the repair of a waterline and the replacement of a fire hydrant.

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:

**VILLAGE OF WESTON
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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

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. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had a Cemetery Trust Fund that was classified as a nonexpendable trust fund. Interest from the trust is used for the maintenance of the cemetery.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control for the general fund and the fund level of control for all other funds, 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.

2. 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.

3. Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF WESTON
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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 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:

	2003	2002
Demand deposits	\$ 221,699	\$ 257,002
Certificates of deposit	532,050	520,488
Total deposits	\$ 753,749	\$ 777,490

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 373,139	\$ 422,755	\$ 49,616
Special Revenue	148,787	190,398	41,611
Debt Service	59,000	208,111	149,111
Capital Projects	436,000	127,724	(308,276)
Enterprise	469,000	540,560	71,560
Fiduciary	1,000	1,493	493
Total	\$ 1,486,926	\$ 1,491,041	\$ 4,115

**VILLAGE OF WESTON
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 711,869	\$ 505,093	\$ 206,776
Special Revenue	185,978	167,388	18,590
Debt Service	59,000	208,111	(149,111)
Capital Projects	433,292	94,381	338,911
Enterprise	556,271	539,100	17,171
Fiduciary	4,000	709	3,291
Total	<u>\$ 1,950,410</u>	<u>\$ 1,514,782</u>	<u>\$ 435,628</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 391,964	\$ 381,930	\$ (10,034)
Special Revenue	154,211	180,549	26,338
Debt Service	263,000	260,139	(2,861)
Capital Projects	824,560	714,036	(110,524)
Enterprise	506,600	603,874	97,274
Fiduciary	1,400	912	(488)
Total	<u>\$ 2,141,735</u>	<u>\$ 2,141,440</u>	<u>\$ (295)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 811,634	\$ 563,382	\$ 248,252
Special Revenue	167,000	143,085	23,915
Debt Service	262,034	260,139	1,895
Capital Projects	824,560	705,044	119,516
Enterprise	564,834	540,587	24,247
Fiduciary	4,000	532	3,468
Total	<u>\$ 2,634,062</u>	<u>\$ 2,212,769</u>	<u>\$ 421,293</u>

The Village did not encumber all commitments required by Ohio law. Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Debt Service fund by \$149,111 for the year ended December 31, 2003.

4. PROPERTY TAX

**VILLAGE OF WESTON
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

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 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 638,606	2.00%
Ohio Water Development Authority Loan	273,198	12.00%
Ohio Water Development Authority Loan	560,079	1.50%
Bond Anticipation Note	150,000	3.20%
Total	<u>\$ 1,621,883</u>	

The Ohio Water Development Authority (OWDA) loans relate to the construction of a water main, booster pumping station, metering facilities, and wastewater treatment plant improvements. The OWDA has approved up to \$2,148,840 in loans to the Village for these projects. The loans will be repaid in semiannual installments of \$24,165 (25 years), \$41,132 (22 years), and \$16,259 (19 years), including interest, over time frame indicated.

**VILLAGE OF WESTON
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

The Bond Anticipation Note (BAN) was used to finance the repaving of Center Street. The BAN was originally issued in 1998 for \$400,000 and has been repaid at \$50,000 plus interest each year and in 2003 it was rolled over at \$150,000. The note will be repaid with general operating revenue.

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

Year ending December 31:	OWDA Loans	Bond Anticipation Note
2004	\$ 163,111	\$ 153,475
2005	163,111	
2006	163,111	
2007	163,111	
2008	121,979	
Subsequent	995,232	
Total	\$ 1,769,655	\$ 153,475

7. RETIREMENT SYSTEMS

All but seven Village employees (two council members and five members of the fire department) belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Those not belonging to OPERS elected to enroll in Social Security. The Village's liability is 6.2 percent of wages paid.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Risk Pool Membership

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. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF WESTON
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do 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:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$ 25,288,098	\$ 20,174,977
Liabilities	<u>(12,872,985)</u>	<u>(8,550,749)</u>
Retained Earnings	<u>\$ 12,415,113</u>	<u>\$ 11,624,228</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$ 3,158,813	\$ 2,565,408
Liabilities	<u>(792,061)</u>	<u>(655,318)</u>
Retained Earnings	<u>\$ 2,366,752</u>	<u>\$ 1,910,090</u>

**VILLAGE OF WESTON
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

9. SUBSEQUENT EVENTS

On January 29, 2004, the Village accepted bids for Phase II of the Wastewater Treatment Plant Improvements. Bids were accepted from R.G. Zachrich Construction Inc. for the construction portion in the amount of \$525,221 and from Retzke-Snyder Electrical Contractors, Inc. for the electrical portion in the amount of \$38,730. The project will be funded with an Ohio Public Works Commission (OPWC) grant in the amount of \$250,000 and a loan of \$475,000 from the Ohio Water Development Authority (OWDA).

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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 Weston
Wood County
13234 Main Street
P.O. Box 354
Weston, Ohio 43569-0354

To the Village Council:

We have audited the financial statements of the Village of Weston, Wood County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated November 19, 2004 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express 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 number 2003-001 and 2003-002. We also noted a certain immaterial instance of noncompliance that we have reported to the Village's management in a separate letter dated November 19, 2004.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. 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 the Village's management in a separate letter dated November 19, 2004.

This report is intended 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.



Betty Montgomery
Ohio Auditor of State

November 19, 2004

VILLAGE OF WESTON
WOOD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance 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 Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FINDING NUMBER 2003-001
 (Continued)**

- 3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

For sixty seven percent of the transactions tested, prior certification was not obtained nor was a then and now certificate utilized. Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council.

To improve controls over disbursements, it is recommended that all Village non-payroll disbursements receive prior certification of the fiscal officer. When that is not possible, a “Then and Now” Certificate should be executed.

We recommend the Village certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Revised Code § 5705.41 (B), states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. The Village’s legal level of control is the fund/function level for the General fund and fund level for all other funds. The following fund had expenditures that exceeded appropriations in 2003:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Debt Service (Bank Note)	\$ 59,000	\$ 208,111	\$ (149,111)

Management was advised that the failure to have adequate appropriations in place at the time of the expenditures are being made could result in expenditures to exceed available resources, further resulting in deficit spending practices.

**FINDING NUMBER 2003-002
(Continued)**

The Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk/Treasurer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2003-003

Material Weakness

The Village has delegated emergency medical services (EMS) billing and income tax collection, which are significant accounting functions, to third-party administrators. The Village has not established procedures to determine whether the service organizations have sufficient controls in place and operating effectively to reduce the risk that transactions have been completely and accurately processed in accordance with the service organization contracts.

We recommend the Village implement procedures to assure the completeness and accuracy of EMS billing and income tax collection processed by its third-party administrators. Statement on Auditing Standards (SAS) No. 70 as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70 should provide the Village with an appropriate level of assurance that EMS billing and income tax collection are being processed in conformance with the contracts.

We recommend the Village specify in their contracts with third-party administrators that an annual Tier II SAS 70 audit report be performed. The Village should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide you with a Tier II SAS 70 report, we recommend the Village contract with a third-party administrator that will provide such a report.

**VILLAGE OF WESTON
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30187-001	Ohio Revised Code § 5705.41(D), failure to certify funds	No	Not corrected. Will be reissued as finding number 2003-001



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VILLAGE OF WESTON

WOOD 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
DECEMBER 23, 2004**