



**Auditor of State
Betty Montgomery**

VILLAGE OF WEST UNITY
WILLIAMS COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets-Modified Cash Basis	11
Statement of Activities-Modified Cash Basis	12
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds	13
Statement of Cash Basis Receipts, Disbursements, and Changes in Modified - Cash Basis Fund Balances - Governmental Funds.....	14
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual Comparison - Budgetary Basis - General Fund	15
Statement of Net Assets - Modified Cash Basis - Proprietary Funds	16
Statement of Cash Basis Receipts, Disbursements, and Changes in Fund Net Assets - Modified Cash Basis - Proprietary Funds	17
Notes to the Basic Financial Statements	18
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	35
Schedule of Findings.....	37
Schedule of Prior Audit Findings.....	39

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Unity, Williams County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Unity, Williams County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Government Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Betty Montgomery
Auditor of State

September 14, 2006

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of the Village of West Unity's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$291,400, or 47 percent, a significant change from the prior year. The funds most affected by the increase in cash and cash equivalents were the General Fund and the Other Capital Projects Fund which realized the greatest increases due to a 1/2 % income tax levy that was passed in 2004 and implemented in 2005.
- The Village's general receipts are primarily income taxes, property taxes, grants, and entitlements not restricted to specific programs and capital grants and contributions. These receipts represent respectively 51, 16, 10, and 9 percent of the total cash received for governmental activities during the year. Income tax receipts for 2005 changed due to an additional 1/2 % income tax levy passed in 2004; was fully collected in 2005. Also the allocation of the 1% income tax received in the General Fund increased from 10% to 17% to help with the State reductions of local government distribution and the phase out of tangible personal property tax.
- Revenues in the Parks and Recreation Fund and the Law Enforcement Trust Fund increased slightly in 2005 due to a donation of \$2,500 for the summer park recreational program and donations received for the K-9 police unit. The Village defeated the renewal of a 1 mill park levy in 2005. This levy produced approximately \$21,000 in property tax revenues and will have an affect on the 2006 park and recreation fund budget.
- The allocation of the 1% income tax revenue in the Debt Service fund was reduced from 65 percent to 58 percent in 2005 to allow more revenue to be placed in the General Fund.
- The Village of West Unity completed two major capital projects in 2005; construction of the new park shelter house through a Nature Works Grant (\$60,000) and a waterline replacement on south main (191) in which Ohio Public Works Commission (O.P.W.C.) grant money was attained in the amount of (\$65,000).
- The Village borrowed \$165,000 from the Farmers and Merchants State Bank for the installation of new water meters. The Village will make semi-annual payments on the loan starting in February of 2005 for 36 months. Village Council approved a monthly utility base water/sewer charge of \$15 per consumer to finance the repayment of the loan. The Village also obtained new software for the utility billing department and changed their water and sewer billing procedure from a quarterly to monthly in September 2004.
- The Business-Type Activities show an increase of \$15,416 or 4 percent in net assets from the prior year. The funds most affected by this change are the Water Fund and the Sanitary Sewer Fund. The change can be attributed to the Village charging a \$15 monthly base charge for water and sewer services to utility customers starting in September 2004. Previously, the Village charged a \$15 quarterly base charge to utility customers for water and sewer services.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns. All other non-major funds are presented in total in a single column.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Government as a Whole

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, and police services. The Village contracts with Brady Township for fire protection services.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village has three business-type activities, the provision of water, sanitary sewer and water deposits. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Other Debt Service Fund and the Other Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two major enterprise funds, the water fund and the sanitary sewer fund.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a modified cash basis:

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Assets						
Cash and Cash Equivalents	\$619,721	\$911,121	\$361,423	\$376,839	\$981,144	\$1,287,960
Total Assets	<u>619,721</u>	<u>911,121</u>	<u>361,423</u>	<u>376,839</u>	<u>981,144</u>	<u>1,287,960</u>
Net Assets						
Restricted for:						
Capital Projects	185,984	293,666			185,984	293,666
Debt Service	228,484	257,799			228,484	257,799
Permanent Fund	60,529	60,529			60,529	60,529
Other Purposes	124,899	191,045			124,899	191,045
Unrestricted	19,825	108,082	361,423	376,839	381,248	484,921
Total Net Assets	<u>\$619,721</u>	<u>\$911,121</u>	<u>\$361,423</u>	<u>\$376,839</u>	<u>\$981,144</u>	<u>\$1,287,960</u>

As mentioned previously, net assets of governmental activities increased \$291,400 or 47 percent during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- Village approved and additional 1/2 % income tax levy passed in 2003 that was fully implemented in 2005. Amounts collected increased 17% to \$583,950.
- Donations for K-9 police unit in the Law Enforcement Trust Fund.
- Donations for summer park recreation program
- Grants for Capital Projects (new shelter house thru Nature Works Grant), (waterline replacement thru Ohio Public Works Commission funds.)

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$27,654	\$417,830	\$445,484
Operating Grants and Contributions	62,149		62,149
Capital Grants and Contributions	105,277		105,277
Total Program Receipts	<u>195,080</u>	<u>417,830</u>	<u>612,910</u>
General Receipts:			
Property and Other Local Taxes	179,802		179,802
Income Taxes	583,950		583,950
Other Taxes	31,864		31,864
Grants & Entitlements not restricted to Specific Programs	113,640		113,640
Interest	29,182		29,182
Miscellaneous	6,994		6,994
Total General Receipts	<u>945,432</u>		<u>945,432</u>
Total Receipts	<u>1,140,512</u>	<u>417,830</u>	<u>1,558,342</u>
Disbursements:			
General Government	182,555		182,555
Security of Persons and Property:	191,601		191,601
Public Health Services	9,401		9,401
Leisure Time Activities	4,039		4,039
Community Environment	1,610		1,610
Basic Utilities	9,236		9,236
Transportation	61,945		61,945
Capital Outlay	192,246		192,246
Debt Service - Principal Retirement	113,179		113,179
Debt Service - Interest and Fiscal Charges	83,300		83,300
Water		201,590	201,590
Sewer		184,719	184,719
Kissel Building Rental		12,640	12,640
Water Deposit		3,465	3,465
Total Disbursements	<u>849,112</u>	<u>402,414</u>	<u>1,251,526</u>
Increase in Net Assets	<u>291,400</u>	<u>15,416</u>	<u>306,816</u>
Net Assets, January 1, 2005	<u>619,721</u>	<u>361,423</u>	<u>981,144</u>
Net Assets, December 31, 2005	<u>\$911,121</u>	<u>\$376,839</u>	<u>\$1,287,960</u>

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Program receipts represent 39 percent of total receipts and are primarily comprised of water and sewer charges for services, operating grants and contributions (i.e. motor vehicle license and gas tax money) and capital grants and contributions (i.e. Naturworks grant, Ohio Public Works Commission and Community Development Block Grant).

General receipts represent 61 percent of the Village's total receipts, and of this amount, over 84 percent are from property and other local taxes and income taxes. Grants and entitlements not restricted to specific programs make up 14 percent of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue source.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council and the fiscal and income tax departments, as well as internal services such as payroll and purchasing. "Since these costs do not represent direct services to residents, we try to limit these costs to 66% of General Fund unrestricted receipts".

Security of Persons and Property are the costs of police protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; the economic development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for debt service, capital outlay, security of persons and property, and general government which account for 23, 23, 23, and 22 percent of all governmental disbursements, respectively. Transportation also represents a significant cost, about 7 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

(Table 3)

Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$182,555	\$172,463
Security of Persons and Property	191,601	191,601
Public Health Services	9,401	9,401
Leisure Time Activities	4,039	3,129
Community Environment	1,610	1,005
Basic Utility Services	9,236	9,236
Transportation	61,945	(16,251)
Capital Outlay	192,246	86,969
Debt Service - Principal Retirement	113,179	113,179
Debt Service - Interest and Fiscal Charges	83,300	83,300
Total Expenses	849,112	654,032

The dependence upon property and income tax receipts is apparent as over 77percent of governmental activities are supported through these general receipts.

Business-type Activities

Revenue for the Water fund comes from water usage (bills), hookup fees, water sales collection, and \$15 base fee. Expenses in the water fund include a portion of the fiscal officer, deputy clerk, maintenance worker, and administrator salaries and benefits, water tower maintenance, water testing, miscellaneous operating expenses, maintenance of equipment and meters, electric-utilities at water plant, oak, and venture.

Revenue for the Sewer Fund is derived from monthly sewer bills and tap fees. Expenses associated with the sanitary sewer fund include a portion of the fiscal officer, deputy clerk, maintenance worker, and administrator salaries and benefits; routine operating expenses, biosolids testing, repair and maintenance of pumps/equipment, utilities.

Revenue for the Kissell fund is from rental of the Kissell building. Expenses include electric, gas, supplies, trash.

The Village's Funds

Total governmental funds had receipts of \$1,140,512 and disbursements of \$849,112. The greatest change within governmental funds occurred within the General Fund and Other Capital Projects Fund. The fund balance of the General Fund increased \$88,256 and the Other Capital Projects Fund increased \$107,682. Both increases were the result of the additional collections received from the 1/2% income tax levy and the reallocation of the 1 percent income tax levy.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

There was no difference between original and final budgeted receipts. Final budgeted receipts were below actual receipts due to the increase in the amount of income tax collections received from the additional ½% income tax levy, the reallocation of the 1.0% income tax levy, and additional unanticipated revenues were received from property tax, intergovernmental revenues, and investment income. The difference between final budgeted receipts and actual receipts was \$80,743.

The Village amended its original budgeted disbursements by less than 1%. Final disbursements were budgeted at \$411,409 while actual disbursements were \$390,076, mostly due to less anticipated general government disbursements. Although actual receipts exceeded expectations, actual disbursements were reduced. The Village kept spending very close to budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, the Village's outstanding debt totaled \$1,939,900, which included \$1,384,003 from Ohio Water Development Authority (OWDA) for a sewer facilities improvements project; \$444,000 in Mortgage Revenue Bonds for a sanitary sewer system improvement and \$111,897 loan from the Farmers and Merchants State Bank for the installation of a new automated water meter system including software and equipment. For further information regarding the Village's debt, refer to Note 9 to the basic financial statements.

Current Issues

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We have reduced some of the expenses in the general fund and adjusted the allocation of income tax money in order to make up for cuts in State funding, such as the phase out of tangible personal property taxes. We have reduced planned park repairs and maintenance due to a failed park levy. We have saved capital projects and reduced water operating expenses to plan ahead for a new water tower in the future and water/sewer lines will have to be supplied for new school construction.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Beth Rediger, Fiscal Officer, Village of West Unity, 118 W. Jackson Street., Box 207, West Unity, OH. 43570-0207.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 911,121	\$ 376,839	\$ 1,287,960
<i>Total Assets</i>	<u>\$ 911,121</u>	<u>\$ 376,839</u>	<u>\$ 1,287,960</u>
Net Assets:			
Restricted for:			
Capital Projects	\$ 293,666		\$ 293,666
Debt Service	257,799		257,799
Permanent Fund	60,529		60,529
Other Purposes	191,045		191,045
Unrestricted	108,082	\$ 376,839	484,921
<i>Total Net Assets</i>	<u>\$ 911,121</u>	<u>\$ 376,839</u>	<u>\$ 1,287,960</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets	
	Cash	Charges for	Operating	Capital Grants	Governmental	Business-type
	Disbursements	Services	and Contributions	and Contributions	Activities	Activities
Governmental Activities:						
Security of Persons and Property	\$ 191,601				\$ (191,601)	\$ (191,601)
Public Health Services	9,401				(9,401)	(9,401)
Leisure Time Activities	4,039	\$ 910			(3,129)	(3,129)
Community Environment	1,610	605			(1,005)	(1,005)
Basic Utility Services	9,236				(9,236)	(9,236)
Transportation	61,945	16,047	\$ 62,149		16,251	16,251
General Government	182,555	10,092			(172,463)	(172,463)
Capital Outlay	192,246			\$ 105,277	(86,969)	(86,969)
Debt Service:						
Principal Retirement	113,179				(113,179)	(113,179)
Interest and Fiscal Charges	83,300				(83,300)	(83,300)
<i>Total Governmental Activities</i>	<u>849,112</u>	<u>27,654</u>	<u>62,149</u>	<u>105,277</u>	<u>(654,032)</u>	<u>(654,032)</u>
Business-Type Activities:						
Water	201,590	220,509				18,919
Sewer	184,719	180,143				(4,576)
Kissell Rental	12,640	12,850				210
Water Deposit	3,465	4,328				863
<i>Total Business-Type Activities</i>	<u>402,414</u>	<u>417,830</u>				<u>15,416</u>
<i>Totals</i>	<u>\$ 1,251,526</u>	<u>\$ 445,484</u>	<u>\$ 62,149</u>	<u>\$ 105,277</u>	<u>(654,032)</u>	<u>15,416</u>
						<u>(638,616)</u>
General Receipts:						
Property Taxes Levied For:						
General Purposes					155,655	155,655
Park operations					24,147	24,147
Other Local Taxes					31,864	31,864
Municipal Income Tax					583,950	583,950
Grants and Entitlements Not Restricted to Specific Programs					113,640	113,640
Investment Receipts					29,182	29,182
Miscellaneous					6,994	6,994
<i>Total General Receipts</i>					<u>945,432</u>	<u>945,432</u>
Change in Net Assets					291,400	15,416
<i>Net Assets at Beginning of Year</i>					<u>619,721</u>	<u>361,423</u>
<i>Net Assets at End of Year</i>					<u>\$ 911,121</u>	<u>\$ 376,839</u>
						<u>\$ 1,287,960</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	General	Other Debt Service	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 108,082	\$ 257,799	\$ 285,963	\$ 259,277	\$ 911,121
Total Assets	<u>\$ 108,082</u>	<u>\$ 257,799</u>	<u>\$ 285,963</u>	<u>\$ 259,277</u>	<u>\$ 911,121</u>
Fund Balances:					
Reserved for Encumbrances	\$ 352			\$ 2,875	\$ 3,227
Unreserved, Undesignated:					
General Fund	107,730				\$ 107,730
Special Revenue Funds				188,170	188,170
Debt Service Fund		\$ 257,799			257,799
Capital Projects Funds			\$ 285,963	7,703	293,666
Permanent Fund				\$ 60,529	60,529
Total Fund Balances	<u>\$ 108,082</u>	<u>\$ 257,799</u>	<u>\$ 285,963</u>	<u>\$ 259,277</u>	<u>\$ 911,121</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS, AND CHANGES IN
MODIFIED CASH FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Other Debt Service	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
Receipts:					
Municipal Income Taxes	\$ 163,506	\$ 225,794	\$ 194,650		\$ 583,950
Property and Other Local Taxes	155,655			\$ 24,147	179,802
Intergovernmental	113,641		25,278	182,872	321,791
Charges for Services				910	910
Fines, Licenses, and Permits	17,808			75	17,883
Investment Income	25,110			4,072	29,182
Miscellaneous	2,261			4,733	6,994
<i>Total Receipts</i>	<u>477,981</u>	<u>225,794</u>	<u>219,928</u>	<u>216,809</u>	<u>1,140,512</u>
Disbursements:					
Current:					
Security of Persons and Property	190,404			1,197	191,601
Public Health Services	9,401				9,401
Leisure Time Activities				4,039	4,039
Community Environment	1,610				1,610
Basic Utility Services	8,547			689	9,236
Transportation				61,945	61,945
General Government	179,762			2,793	182,555
Capital Outlay			112,246	80,000	192,246
Principal Retirement		113,179			113,179
Interest and Fiscal Charges		83,300			83,300
<i>Total Disbursements</i>	<u>389,724</u>	<u>196,479</u>	<u>112,246</u>	<u>150,663</u>	<u>849,112</u>
Net Change in Fund Balances	88,257	29,315	107,682	66,146	291,400
<i>Fund Balances at Beginning of Year</i>	<u>19,825</u>	<u>228,484</u>	<u>178,281</u>	<u>193,131</u>	<u>619,721</u>
<i>Fund Balances at End of Year</i>	<u>\$ 108,082</u>	<u>\$ 257,799</u>	<u>\$ 285,963</u>	<u>\$ 259,277</u>	<u>\$ 911,121</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON - BUDGETARY BASIS -
GENERAL FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive(Negative)
	Original	Final		
Receipts:				
Municipal Income Tax	\$ 127,943	\$ 127,943	\$ 163,506	\$ 35,563
Property and Other Local Taxes	143,000	143,000	155,655	12,655
Intergovernmental	99,720	99,720	113,641	13,921
Fines, Licenses, and Permits	10,075	10,075	17,808	7,733
Investment Income	6,500	6,500	25,110	18,610
Miscellaneous	10,000	10,000	2,261	(7,739)
<i>Total Receipts</i>	<u>397,238</u>	<u>397,238</u>	<u>477,981</u>	<u>80,743</u>
Disbursements:				
Current:				
Security of Persons and Property	196,400	196,455	190,514	5,941
Public Health Services	8,000	9,401	9,401	
Community Environment	3,000	1,622	1,610	12
Basic Utility Services	12,200	8,847	8,547	300
General Government	191,755	195,084	180,004	15,080
<i>Total Disbursements</i>	<u>411,355</u>	<u>411,409</u>	<u>390,076</u>	<u>21,333</u>
<i>Net Change in Fund Balance</i>	(14,117)	(14,171)	87,905	102,076
<i>Fund Cash Balance at Beginning of Year</i>	19,768	19,768	19,768	
<i>Prior Year Encumbrances Appropriated</i>	57	57	57	
<i>Fund Cash Balance at End of Year</i>	<u>\$ 5,708</u>	<u>\$ 5,654</u>	<u>\$ 107,730</u>	<u>\$ 102,076</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2005

	Business-Type Activities			Total
	Water	Sewer	Other Enterprise Funds	
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 116,910	\$ 119,528	\$ 140,401	\$ 376,839
<i>Total Assets</i>	<u>\$ 116,910</u>	<u>\$ 119,528</u>	<u>\$ 140,401</u>	<u>\$ 376,839</u>
Net Assets:				
Unrestricted	\$ 116,910	\$ 119,528	\$ 140,401	376,839
<i>Total Net Assets</i>	<u>\$ 116,910</u>	<u>\$ 119,528</u>	<u>\$ 140,401</u>	<u>\$ 376,839</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND NET ASSETS - MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities			
	Water	Sewer	Other Enterprise	Total
Operating Receipts:				
Charges for Services	\$ 220,509	\$ 180,143	\$ 4,328	\$ 404,980
Other Operating Receipts			12,850	12,850
<i>Total Operating Cash Receipts</i>	<u>220,509</u>	<u>180,143</u>	<u>17,178</u>	<u>417,830</u>
Operating Disbursements:				
Personal Services	43,605	74,133		117,738
Fringe Benefits	14,987	28,857		43,844
Contractual Services	40,550	29,305	4,821	74,676
Materials and Supplies	46,404	31,637	4,247	82,288
Other	1,496	6,466	7,037	14,999
<i>Total Operating Disbursements</i>	<u>147,042</u>	<u>170,398</u>	<u>16,105</u>	<u>333,545</u>
<i>Operating Income</i>	<u>73,467</u>	<u>9,745</u>	<u>1,073</u>	<u>84,285</u>
Non-Operating Receipts (Disbursements):				
Capital Outlay	7,770	2,626		10,396
Principal Payments	42,482	10,621		53,103
Interest and Fiscal Charges	4,296	1,074		5,370
<i>Total Non-Operating Disbursements</i>	<u>54,548</u>	<u>14,321</u>		<u>68,869</u>
<i>Changes in Net Assets</i>	18,919	(4,576)	1,073	15,416
<i>Net Assets at Beginning of Year</i>	<u>97,991</u>	<u>124,104</u>	<u>139,328</u>	<u>361,423</u>
<i>Net Assets at End of Year</i>	<u>\$ 116,910</u>	<u>\$ 119,528</u>	<u>\$ 140,401</u>	<u>\$ 376,839</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

1. REPORTING ENTITY

The Village of West Unity, Williams County, Ohio (the Village), is a body politic and corporate 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 six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village streets and bridges, park operations, and police services. The Village contracts with Brady Township to provide fire protection services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

C. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the Village does not report assets for equity interests in joint ventures. The Village does not participate in any joint ventures.

The Village participates in the Public Entities Pool of Ohio, a public entity risk pool. Note 12 to the financial statements provides additional information for this entity.

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

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Village functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Village are grouped into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, income taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

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. The General fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Other Debt Service Fund - This fund receives income tax monies to be used to retire mortgage revenue bonds, loan proceeds received from the Ohio Water Development Authority, and a loan obtained from the Farmers and Merchants State Bank.

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

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major Enterprise funds:

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.

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. 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 re-appropriated.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Cash, Cash Equivalents, and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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 negative receipts (contra revenue), respectively.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$25,110 which includes \$22,665 assigned from other Village funds.

F. Inventory and Prepaid Items

On the modified cash-basis of accounting, inventories of supply items are reported as disbursements when purchased.

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long Term Obligations

These modified-cash basis financial statements do not report liabilities for bonds and other long-term obligations. These financial statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

K. Net Assets

These statements report restricted net assets when enabling legislation or creditors, grantors, or laws or regulations of other governments have imposed limitations on their use. Net assets restricted for other purposes include resources restricted for parks and recreation and law enforcement. The Village first applies restricted sources when incurring a disbursement for which it may use either restricted or unrestricted resources.

L. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

M. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

For 2005, the Village has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" which changed the required disclosure regarding risk associated with deposits and investments in the notes to the basic financial statements. The implementation of this statement had no effect on the amounts within the basic financial statements. These additional disclosures are included in Note 6 to the basic financial statements.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

4. COMPLIANCE

Contrary to Ohio law the following occurred:

- Ohio Natureworks Grant monies received (\$25,277) were credited to the Other Capital Projects Fund instead of been placed into a special fund designated for the specific project funded by the grant.
- The Ohio Public Works Commission (\$65,000) and Community Development Block Grant (\$15,000) funds were disbursed directly to vendors on behalf of the Village were not recorded as pass-through grants on the financial statements.

5. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). At December 31, 2005, there was \$352 in outstanding encumbrances in the General Fund.

6. DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

6. DEPOSITS AND INVESTMENTS – (Continued)

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Village's bank balance of \$1,314,937 was not exposed to custodial credit risk.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

7. PROPERTY TAX

Property taxes are levied and assessed on a calendar year basis.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Village. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The Village receives property taxes from Williams County. The County Auditor periodically remits to the Village its portion of the taxes collected.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<u>Amount</u>	<u>Percent</u>
Agriculture/Residential & Other Real Estate Property	\$ 20,569,360	71%
Public Utility Personal Property	823,970	1%
Tangible Personal Property	7,489,570	17%
Total	<u>\$ 28,882,900</u>	<u>89%</u>

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

8. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

9. LONG TERM DEBT

The Village's long term debt obligations at year end consist of the following:

	<u>Balance at 12/31/04</u>	<u>Principal Decrease</u>	<u>Balance at 12/31/05</u>	<u>Amounts Due in One Year</u>
Governmental Activities:				
Mortgage Revenue Bonds	\$474,000	\$30,000	\$444,000	\$31,000
Ohio Water Development Authority Loan	<u>\$1,467,182</u>	<u>\$83,179</u>	<u>\$1,384,003</u>	<u>\$86,641</u>
Total Governmental Activities	<u>\$1,941,182</u>	<u>\$113,179</u>	<u>\$1,828,003</u>	<u>\$117,641</u>
Business-Type Activities:				
Bank Loan	<u>165,000</u>	<u>53,103</u>	<u>111,897</u>	<u>54,978</u>
Total Long-Term Obligations	<u><u>\$ 2,106,182</u></u>	<u><u>\$ 166,282</u></u>	<u><u>\$ 1,939,900</u></u>	<u><u>\$ 172,619</u></u>

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

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

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, 2005 was \$55,882.

The debt related to governmental activities is repaid from the Debt Service Fund, which is funded by local income tax collections.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

9. LONG TERM DEBT – (Continued)

The Village borrowed \$165,000 from the Farmers and Merchants State Bank in 2004 for the purchase and installation of a new automated water meter system, including software and equipment. The Village will make semi-annual payments of principal and interest. The loan matures in 2007. The loan amounts are paid through the collection of a user charge for consumer water/sewer services. This loan is paid from the Water and Sewer Funds.

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

Year Ending December 31:	OWDA Loan	Bank Loan	Mortgage Revenue Bonds
2006	\$142,779	\$58,422	\$53,200
2007	142,779	58,421	53,650
2008	142,779		54,000
2009	142,779		53,250
2010	142,779		53,450
Subsequent	1,070,843		320,300
Total	<u>\$1,784,738</u>	<u>\$116,843</u>	<u>\$587,850</u>

10. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

10. DEFINED BENEFIT PENSION PLANS – (Continued)

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$21,783, \$22,697, and \$21,445 respectively; 100 percent has been contributed for 2005, 2004, and 2003.

B. *Ohio Police and Fire Pension Fund*

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The Village's contributions to OP&F for police for the years ended December 31, 2005, 2004, and 2003 were \$12,580, \$15,061, and \$11,542 respectively. The full amount has been contributed for 2005, 2004, and 2003.

11. POSTEMPLOYMENT BENEFITS

A. *Ohio Public Employees Retirement System*

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

11. POSTEMPLOYMENT BENEFITS – (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Village contributions for 2005 which were used to fund postemployment benefits were \$9,124. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. *Ohio Police and Fire Pension Fund*

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

11. POSTEMPLOYMENT BENEFITS – (Continued)

The Village's actual contributions for 2005 that were used to fund postemployment health care benefits were \$8,297 for police. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters

12. RISK POOL MANAGEMENT

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government 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.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

12. RISK POOL MANAGEMENT – (Continued)

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 township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The Village's share of these unpaid claims is approximately \$40,000.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

13. CONTINGENT LIABILITIES

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

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of West Unity, Williams County, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 14, 2006, in which we disclosed the Village prepares its financial statements on the modified cash basis of accounting. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 14, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the Village's management dated September 14, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

September 14, 2006

VILLAGE OF WEST UNITY
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Revised Code § 5705.10 requires that all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

Natureworks Grant monies received from Ohio Department of Natural Resources were credited to the Other Capital Projects Fund. These grant monies (\$25,277) should have been placed into a special fund designated for the specific project funded by the grant.

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

Official's Response:

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

FINDING NUMBER 2005-002

Noncompliance Citation

Chapter 5705 of the Revised Code sets forth a scheme that provides for a uniform budget and appropriation process in order to assure that a government entity expends no more than it expects to receive in revenue. In order to accomplish this end, all appropriations must be accounted to and from each appropriation fund. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded. R.C.5705.42. Thus, a mechanism is still required to account for receipt and expenditure. That mechanism is an amendment of, or a supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation. R.C.5705.40. An original appropriation measure must be passed by the taxing authority, and in any amendment of, or supplement to, that measure also requires legislative action. R.C. 5705.38.

Auditor of State Bulletin 2000-008 further requires that when an entity enters into an "on-behalf-of" program with another government whereby the entity is the beneficiary under the agreement, the cash value benefit of the program should be recorded as memorandum receipts and disbursements in the year the "on-behalf-of" payments are made.

Community Development Block Grant and Ohio Public Works Commission monies, in the amounts of \$15,000 and \$65,000 were expended directly to contractors on behalf of the Village. These monies were not recorded in the Village's financial statements.

**FINDING NUMBER 2005-002
(Continued)**

The accompanying financial statements have been adjusted to reflect the “on-behalf-of” activity.

We recommend that the Village follow the guidelines of Auditor of State Bulletin 2000-008, which describes the proper accounting treatment for “on-behalf-of” programs and that the Village post all grant money received to the Village books.

Official’s Response:

Management did not respond to this finding.

**VILLAGE OF WEST UNITY
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code §5705.10. Village did not account receipts and disbursements from Natureworks Grant in a separate fund	No	Not Corrected. Reissued as Finding No. 2005-001
2004-002	Ohio Revised Code Chapter 5705. Village did not record pass through grants on Village records	No	Not Corrected. Reissued as Finding No. 2005-002



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF WEST UNITY

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 12, 2006**