

VILLAGE OF WESTON

WOOD COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2007 & 2006

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Village Council
Village of Weston
13234 Main Street
Weston, Ohio 43569

We have reviewed the *Report of Independent Accountants* of the Village of Weston, Wood County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 7, 2008

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VILLAGE OF WESTON
WOOD COUNTY, OHIO
Audit Report
For the years ended December 31, 2007 & 2006

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Weston
Wood County
13234 Main Street
Weston, Ohio 43569

To the Village Council:

We have audited the accompanying financial statements of the Village of Weston, Wood County, Ohio (the Village) as and for the years ended December 31, 2007 and 2006. 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 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for both years. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Weston, Wood County as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2008, 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 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.

Charles E. Harris & Associates, Inc.
May 15, 2008

**VILLAGE OF WESTON
WOOD COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2007**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent Fund	
Cash Receipts:					
Property and Local Taxes	\$ 35,033	\$ 23,554	-	-	\$ 58,587
Municipal Income Tax	251,480	-	-	-	251,480
Intergovernmental	35,111	120,969	-	-	156,080
Special Assessments	1,454	14,500	\$ 13,883	-	29,837
Charge for Services	12,000	88,789	-	-	100,789
Fines, Licenses, and Permits	6,551	-	-	-	6,551
Earnings on Investments	29,325	4,122	-	\$ 1,301	34,748
Miscellaneous	32,072	1,129	-	-	33,201
Total Cash Receipts	403,026	253,063	13,883	1,301	671,273
Cash Disbursements:					
Current:					
Security of Persons and Property	112,723	139,026	-	-	251,749
Public Health Service	729	34,596	-	866	36,191
Leisure Time Activities	15,201	-	-	-	15,201
Community Environment	381	-	-	-	381
Basic Utility Services	3,889	-	-	-	3,889
Transportation	-	54,896	-	-	54,896
General Government	175,128	657	138	-	175,923
Capital Outlay	3,598	109,959	51,444	-	165,001
Total Cash Disbursements	311,649	339,134	51,582	866	703,231
Total Receipts Over / (Under) Disbursements	91,377	(86,071)	(37,699)	435	(31,958)
Other Financing Sources / (Uses):					
Transfer-In	-	30,000	40,429	-	70,429
Transfer-Out	(70,429)	-	-	-	(70,429)
Total Other Financing Sources / (Uses):	(70,429)	30,000	40,429	-	-
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	20,948	(56,071)	2,730	435	(31,958)
Fund Cash Balance, January 1, 2007	383,783	281,650	11,221	31,245	707,899
Fund Cash Balance, December 31, 2007	\$ 404,731	\$ 225,579	\$ 13,951	\$ 31,680	\$ 675,941
Reserve for Encumbrances, December 31, 2007	\$ 23,337	-	-	-	\$ 23,337

See accompanying Notes to the Financial Statements.

**VILLAGE OF WESTON
WOOD COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE
For the Year Ended December 31, 2007**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Total Operating Cash Receipts	<u>-</u>
Operating Cash Disbursements:	
Total Operating Cash Disbursements	<u>-</u>
Net Income / (Loss)	-
Fund Cash Balance, January 1	\$ <u>14,732</u>
Fund Cash Balance, December 31	\$ <u><u>14,732</u></u>

See accompanying Notes to the Financial Statements.

**VILLAGE OF WESTON
WOOD COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2006**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent Fund	
Cash Receipts:						
Property and Local Taxes	\$ 34,247	\$ 22,967	-	-	-	\$ 57,214
Municipal Income Tax	277,133	-	-	-	-	277,133
Intergovernmental	35,955	98,358	-	-	-	134,313
Special Assessments	1,308	13,629	-	\$ 5,038	-	19,975
Charge for Services	12,000	76,441	-	-	-	88,441
Fines, Licenses, and Permits	6,738	-	-	-	-	6,738
Earnings on Investments	25,452	1,626	-	-	\$ 1,197	28,275
Miscellaneous	23,946	1,225	-	-	-	25,171
Total Cash Receipts	416,779	214,246	-	5,038	1,197	637,260
Cash Disbursements:						
Current:						
Security of Persons and Property	153,143	80,144	-	-	-	233,287
Public Health Service	648	30,537	-	-	800	31,985
Leisure Time Activities	10,705	-	-	-	-	10,705
Community Environment	20	-	-	-	-	20
Basic Utility Services	3,752	-	-	-	-	3,752
Transportation	-	49,304	-	-	-	49,304
General Government	196,506	667	-	47	-	197,220
Capital Outlay	15,000	21,114	-	54,363	-	90,477
Debt Service:						
Principal Payments	-	-	\$ 50,000	-	-	50,000
Interest and Fiscal Charges	-	-	1,781	-	-	1,781
Total Cash Disbursements	379,774	181,766	51,781	54,410	800	668,531
Total Receipts Over / (Under) Disbursements	37,005	32,480	(51,781)	(49,372)	397	(31,271)
Other Financing Sources / (Uses):						
Transfer-In	202,612	-	51,781	55,003	-	309,396
Transfer-Out	(106,784)	-	-	(202,612)	-	(309,396)
Advances-In	237	130	-	-	-	367
Advances-Out	(237)	(130)	-	-	-	(367)
Total Other Financing Sources / (Uses):	95,828	-	51,781	(147,609)	-	-
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	132,833	32,480	-	(196,981)	397	(31,271)
Fund Cash Balance, January 1, As Restated	250,950	249,170	-	208,202	30,848	739,170
Fund Cash Balance, December 31	\$ 383,783	\$ 281,650	\$ -	\$ 11,221	\$ 31,245	\$ 707,899

See accompanying Notes to the Financial Statements.

VILLAGE OF WESTON
WOOD COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE
For the Year Ended December 31, 2006

		<u>Proprietary Fund Type</u>
		<u>Enterprise</u>
Operating Cash Receipts:		
Charges for Services	\$	99,189
Total Operating Cash Receipts		<u>99,189</u>
Operating Cash Disbursements:		
Personal Services		8,218
Employee Fringe Benefits		4,376
Contractual Services		89,750
Supplies and Materials		2,421
Capital Outlay		12,748
Other		21,708
Total Operating Cash Disbursements		<u>139,221</u>
Operating Income / (Loss)		(40,032)
Non-Operating Receipts/Disbursements:		
Redemption of Principal		(70,339)
Interest and Other Fiscal Charges		(20,197)
Total Non-Operating Receipts / (Disbursements):		<u>(90,536)</u>
Net Income / (Loss)		(130,568)
Fund Cash Balance, January 1		<u>145,300</u>
Fund Cash Balance, December 31	\$	<u><u>14,732</u></u>

See accompanying Notes to the Financial Statements.

**VILLAGE OF WESTON
WOOD COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

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 for the purpose of exercising 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 park operations, cemetery services, and fire, and EMS services. The Village used to provide water and sewer utility services but this operation has been turned over to the Northwestern Water and Sewer District in February 2006. Refer to Note 6. 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's 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.)

The 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 to use. The Village classifies its funds into the following types:

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

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

**VILLAGE OF WESTON
WOOD COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -(Continued)

D. FUND ACCOUNTING – (Continued)

- **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 medical services.

Permanent Fund: This fund accounts for the Village permanent cemetery projects such as fencing and utility building. The corpus of the trust must remain intact and only the interest can be spent.

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.

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.

In February 2006, the Phase I Sewer Project and Waterline Project Emergency Funds were rescinded. Refer to Note 6.

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

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

In February 2006, the Water and Sewer Funds were closed. Refer to Note 6.

**VILLAGE OF WESTON
WOOD COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -(Continued)

E. BUDGETARY PROCESS

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

- **Appropriations**

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

- **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. Appropriations may not exceed estimated resources.

- **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year- end are carried over and need not be reappropriated.

A summary of budgetary activity appears in Note 5.

F. PROPERTY, PLANT, AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay 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.

**VILLAGE OF WESTON
WOOD COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

		<u>2007</u>		<u>2006</u>
Demand Deposits	\$	93,649	\$	6,241
Certificates of Deposit		597,024		716,390
Total Deposits	\$	<u>690,673</u>	\$	<u>722,631</u>

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

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last triennial update was completed for tax year 2005. The next update will be in 2008.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

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

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

The Wood County Treasurer collects property tax on behalf of all taxing Villages within the county. The Wood County Auditor periodically remits to the taxing Village their portions of the taxes collected.

**VILLAGE OF WESTON
WOOD COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

4. 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. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Municipal income taxes were collected by the Ohio Municipal Income Tax Service (OMITS) in 2006. In 2007, municipal income tax service and collection were provided by the Regional Income Tax Agency (RITA).

5. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2007 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 629,687	\$ 619,391	\$ (10,296)
Special Revenue	183,236	214,246	31,010
Debt Service	53,400	51,781	(1,619)
Capital Projects	72,890	60,041	(12,849)
Permanent	700	1,197	497
Enterprise	100,000	99,189	(811)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 543,309	\$ 486,558	\$ 56,751
Special Revenue	216,965	181,766	35,199
Debt Service	53,400	51,781	1,619
Capital Projects	275,893	257,022	18,871
Permanent	1,000	800	200
Enterprise	281,440	229,757	51,683

**VILLAGE OF WESTON
WOOD COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

5. BUDGETARY ACTIVITY – (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 403,469	\$ 403,026	\$ (443)
Special Revenue	231,434	283,063	51,629
Capital Projects	49,465	54,312	4,847
Permanent	700	1,301	601
Enterprise	-	-	-

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 512,207	\$ 405,415	\$ 106,792
Special Revenue	377,359	339,134	38,225
Capital Projects	60,655	51,582	9,073
Permanent	1,000	866	134
Enterprise	2,000	-	2,000

6. AGREEMENT WITH THE NORTHWESTERN WATER & SEWER DISTRICT

In February 2006, the Village entered into an assignment and assumption agreement with the Northwestern Water and Sewer District (the District) to turn over the operation and ownership of its wastewater treatment plant, wastewater collection system and water distribution system to the District.

As a result of this agreement, the Water and Sewer Fund balances under the Enterprise Fund were transferred to the District. The remaining balance in the Enterprise Fund represents water deposits which are to be refunded in the future. The Village sent out letters to the public of the water deposit refund. The Village will keep the water deposits in the Enterprise Fund until the end of 2008, and transfer any unclaimed monies to the General Fund at the start of 2009.

The Phase I Sewer Project and the Waterline Project Emergency Funds under the Capital Projects Fund were rescinded and the money earmarked for these funds, which had originally come from the General Fund was transferred back to the General Fund. Refer to Note 8.

All related loans from OWDA were assumed by the District. Refer to Note 7.

**VILLAGE OF WESTON
WOOD COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

7. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal Balance, 12/31/05	Principal Payment, 2006	Loan balance assumed by NWSD	Principal Balance, 12/31/06
OWDA Loan #1433	\$ 168,302	\$ 29,277	\$ 139,025	-
OWDA Loan #2918	566,781	18,314	548,467	-
OWDA Loan #3587	511,299	12,424	498,875	-
OWDA Loan #4046	414,158	10,324	403,834	-
Sky Bank Note	50,000	50,000	-	-
Total	\$ 1,710,540	\$ 120,339	\$ 1,590,201	-

The Village paid off its Sky Bank Note of \$50,000 including interest. It transferred all of its OWDA loans to the District as part of its assignment and assumption agreement with the District. The Village was debt free after March 2006.

8. TRANSFERS

In 2006, the General Fund transferred \$51,781 to the Debt Service Fund to pay up the Sky Bank Note for Center Street Reconstruction (refer to Note 7). It also transferred \$55,003 to various capital projects funds to subsidize projects. The Capital Projects Fund transferred \$202,612 to the General Fund to return the money earmarked for the Phase I Sewer Project and the Waterline Project Emergency Funds. (This amount was originally transferred by the General Fund to Capital Projects to finance the start-up construction cost of the sewer and waterline projects. But after the projects were turned over to the Northwestern Water and Sewer District as discussed in Note 6, the Village returned the money to the General Fund through a fund transfer, in compliance with the Ohio Revised Code.

In 2007, the General Fund transferred \$30,000 to the Special Revenue - EMS fund to finance the purchase of an ambulance. It also transferred \$40,429 to Capital Projects Fund to subsidize projects. All transfers were made in accordance with the Ohio Revised Code.

9. RETIREMENT SYSTEM

All but seven Village's 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 do not belonging to OPERS elected to enroll in Social Security. The Village's liability is 6.2 percent of wages paid.

**VILLAGE OF WESTON
WOOD COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

9. RETIREMENT SYSTEM – (continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2006, OPERS members contributed 9% of their wages while the Village contributed 13.7%. For 2007, OPERS members contributed 9.5% of their wages. The Village contributed an amount equal to 13.85% of participants' gross salaries in the year. The Village has paid all contributions required through December 31, 2006 and 2007.

10. 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 insurance 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 Insurance

For occurrences prior to January 1, 2006, PEP retains casualty risk up to \$250,000 per claim, including automobile 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 \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, from General Reinsurance Corporation.

For occurrences on or after January 1, 2006, PEP retains casualty risk up to \$350,000 per claim, including automobile loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000, up to \$2,650,000 per claim and \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, from General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to an annual aggregate of \$10,000,000.

Property Insurance

Through 2004, 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 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pay losses and loss adjustment expenses exceeding operating contributions.

**VILLAGE OF WESTON
WOOD COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

10. RISK MANAGEMENT – (continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss 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 \$600,000,000 per occurrence limit. The aggregate loss limit for 2006 and 2005 were \$1,901,127 and \$1,712,113, respectively.

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.

Members may withdraw in each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of their anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus subsequent year's premium. Also, upon withdrawal, payments of all property and casualty claims and claims 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 2006 (the latest information available):

Casualty Insurance	2006	2005
Assets	\$30,997,868	\$30,547,049
Liabilities	<u>(15,875,741)</u>	<u>(16,989,918)</u>
Retained Earnings	<u>\$15,122,127</u>	<u>\$13,557,131</u>
Property Insurance	2006	2005
Assets	\$5,125,326	\$3,652,970
Liabilities	(863,163)	(544,771)
Retained Earnings	<u>\$4,262,163</u>	<u>\$3,108,199</u>

The casualty coverage assets and retained earnings above include approximately \$14.4 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006. PEP will collect these amounts in the future annual premium billings when PEP's related liabilities are due for payment.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been significant reductions in insurance coverage from last year. The Village also provides health insurance, dental, and vision coverage to full-time employees through a private carrier.

**VILLAGE OF WESTON
WOOD COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

11. RESTATEMENT OF FUND BALANCE

	<u>2005 Fund Balance</u>	<u>Restatement in 2006</u>	<u>Restated Fund Balance, 2006</u>
Fiduciary Fund: Non-Expendable Trust	\$ 30,848	\$ (30,848)	\$ -
Permanent Fund	-	30,848	30,848

The restatement was done to comply with the Auditor of State requirement stated in Bulletin 2005-005. Bulletin 2005-005 states that local governments that prepare non-GAAP, cash-basis financial statements will be required to reclassify their nonexpendable and expendable trust funds as part of the governmental fund or private-purpose trust categories effective January 1, 2006. The Village had a Non-Expendable Trust Fund which accounts for the Village cemetery projects such as fencing and utility building. The corpus of the trust must remain intact and only interest can be spent. It was reclassified to a Permanent Fund.

12. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

13. BUDGETARY NONCOMPLIANCE

The Village did not properly certify the availability of funds for 32 of 60 non-payroll expenditures contrary to Section 5705.41 (D) of the Ohio Revised Code. The Village appropriations in two Enterprise Funds in 2006 exceeded its total estimated resources, contrary to ORC Section 5705.39.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Village of Weston
Wood County
13234 Main Street
Weston, Ohio 43569

To the Members of Council:

We have audited the financial statements of the Village of Weston, Wood County, Ohio (Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 15, 2008, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State of Ohio. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2007-Weston-002 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2007-Weston-001 and 003.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We noted certain matters that we have reported to management of the Village in a separate letter dated May 15, 2008.

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

Charles E. Harris & Associates, Inc.

May 15, 2008

**VILLAGE OF WESTON
WOOD COUNTY
SCHEDULE OF FINDINGS
December 31, 2007 and 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-Weston-001: Non-compliance Citation

Ohio Revised Code Section 5705.41 (D), requires in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state 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 sections 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 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 that \$3,000 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 expenditure 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. 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.
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 predicible 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's appropriation.

The Village did not properly certify the availability of funds for 32 of 60 non-payroll expenditures tested for the audit period. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

**VILLAGE OF WESTON
WOOD COUNTY
SCHEDULE OF FINDINGS – (continued)
December 31, 2007 and 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (continued)
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FINDING NUMBER 2007-Weston-001: Non-compliance Citation – (continued)

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the availability of funds prior to the commitment for the expenditure of Village money. The Village should consider the use of blanket purchase orders and "Then and Now" certificates to assist in complying with the above requirement.

The Village Fiscal Officer will closely monitor purchasing activities and use "Then and Now" certificates for the emergency purchases.

FINDING NUMBER 2007-Weston-002: Significant Deficiency and Material Weakness

In 2006, the Village has delegated municipal income tax collection, which is a significant accounting function, to a third-party administrator. The Village has not established procedures to determine whether the service organization has 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 contract.

We recommend the Village implement procedures to assure the completeness and accuracy of income tax collection processed by its third-party administrator. 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 income tax collection is being processed in conformance with the contract.

We recommend the Village specify in their contracts with the third-party administrator 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 the Village with a Tier II SAS 70 report, we recommend the Village contract with a third-party administrator that will provide such a report.

In 2007, the Village engaged the services of another income tax collection agency which has a SAS 70 audit report and whose controls were found to be sufficiently in place and operating effectively.

FINDING NUMBER 2007-Weston-003: Non-compliance Citation

Ohio Revised Code Section 5705.39 states that the total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the total official estimate or amended official estimate. At the end of fiscal year 2006, the following funds had appropriations that exceeded the estimated resources.

**VILLAGE OF WESTON
WOOD COUNTY
SCHEDULE OF FINDINGS – (continued)
December 31, 2007 and 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (continued)
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FINDING NUMBER 2007-Weston-003: Non-compliance Citation – (continued)

Enterprise Funds:

Water Operating (\$25,184)

Sewer Operating (\$10,956)

We recommend that the Village compare appropriations with estimated fund resources so that it can avoid appropriating over its total estimated resources.

The Fiscal Officer agrees and will monitor total estimated resources and make amendments with estimated receipts and appropriations as needed.

VILLAGE OF WESTON
WOOD COUNTY, OHIO
For the Years Ended December 31, 2007 and 2006

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-001	Ohio Revised Code section 5705.41(D), failure to certify funds	No	Reissued as finding number 2007-Weston-001
2005-002	Lack of procedures to determine the effectiveness and efficiency of internal controls over service organization contracts income tax service collection and EMS billing.	No	Partially Corrected. Municipal income tax collection was corrected in 2007 but not in 2006. Reissued as finding number 2007-Weston-002



Mary Taylor, CPA
Auditor of State

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
JULY 17, 2008**