



**Auditor of State  
Betty Montgomery**



VILLAGE OF WILLSHIRE  
VAN WERT COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Willshire  
Van Wert County  
323 State Street  
P.O. Box 110  
Willshire, Ohio 45898-0110

To the Village Council:

We have audited the accompanying financial statements of the Village of Willshire, Van Wert County (the Village), as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

June 4, 2003

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$24,234			\$24,234
Intergovernmental Receipts	29,406	21,763		51,169
Charges for Services		11,250		11,250
Earnings on Investments	10,189	650		10,839
Miscellaneous	5,881	11,255	5,000	22,136
Total Cash Receipts	<u>69,710</u>	<u>44,918</u>	<u>5,000</u>	<u>119,628</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	3,258	24,115		27,373
Public Health Services	2,064	5,127	4,967	12,158
Leisure Time Activities		1,008		1,008
Transportation		16,977		16,977
General Government	53,635			53,635
Capital Outlay	14,729	2,742		17,471
Debt Service	31,096			31,096
Total Cash Disbursements	<u>104,782</u>	<u>49,969</u>	<u>4,967</u>	<u>159,718</u>
Total Receipts Over/(Under) Disbursements	<u>(35,072)</u>	<u>(5,051)</u>	<u>33</u>	<u>(40,090)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In		23,046		23,046
Debt Proceeds	26,296			26,296
Transfers-Out	(30,000)	(8,046)		(38,046)
Total Other Financing Receipts/(Disbursements)	<u>(3,704)</u>	<u>15,000</u>		<u>11,296</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(38,776)</u>	<u>9,949</u>	<u>33</u>	<u>(28,794)</u>
Fund Cash Balances, January 1	<u>93,752</u>	<u>44,065</u>		<u>137,817</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$54,976</u></u>	<u><u>\$54,014</u></u>	<u><u>\$33</u></u>	<u><u>\$109,023</u></u>

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

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$192,436		\$192,436
Earnings on Investments		5	5
Miscellaneous	1,500		1,500
	<u>193,936</u>	<u>5</u>	<u>193,941</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	59,655		59,655
Fringe Benefits			
Contractual Services	63,416		63,416
Supplies and Materials	24,766		24,766
Capital Outlay	7,052		7,052
	<u>154,889</u>		<u>154,889</u>
Operating Income	<u>39,047</u>	<u>5</u>	<u>39,052</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	2,094		2,094
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	75,745		75,745
Other Non-Operating Cash Disbursements	1,250		1,250
	<u>76,995</u>		<u>76,995</u>
Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(35,854)	5	(35,849)
Transfers-In	15,000		15,000
Net Receipts Over/(Under) Disbursements	(20,854)	5	(20,849)
Fund Cash Balances, January 1	143,599	993	144,592
<b>Fund Cash Balances, December 31</b>	<u><u>\$122,745</u></u>	<u><u>\$998</u></u>	<u><u>\$123,743</u></u>

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



**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$23,318		\$23,318
Intergovernmental Receipts	35,535	16,183	51,718
Charges for Services		13,066	13,066
Earnings on Investments	15,650		15,650
Miscellaneous	11,054	6,266	17,320
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	85,557	35,515	121,072
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	2,649	6,878	9,527
Public Health Services	901	5,698	6,599
Leisure Time Activities		466	466
Transportation		21,282	21,282
General Government	82,175		82,175
Capital Outlay	35,098	6,281	41,379
Debt Service	33,301		33,301
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	154,124	40,605	194,729
	<hr/>	<hr/>	<hr/>
Total Receipts (Under) Disbursements	(68,567)	(5,090)	(73,657)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts:</b>			
Sale of Bonds or Notes	58,979		58,979
Other Financing Sources		10,044	10,044
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	58,979	10,044	69,023
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(9,588)	4,954	(4,634)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	103,340	39,111	142,451
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<u>\$93,752</u>	<u>\$44,065</u>	<u>\$137,817</u>

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

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$189,331		\$189,331
Earnings on Investments		11	11
Miscellaneous	950		950
<b>Total Operating Cash Receipts</b>	<u>190,281</u>	<u>11</u>	<u>190,292</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	52,520		52,520
Contractual Services	75,411		75,411
Supplies and Materials	8,283		8,283
Capital Outlay	4,277		4,277
<b>Total Operating Cash Disbursements</b>	<u>140,491</u>		<u>140,491</u>
Operating Income	<u>49,790</u>	<u>11</u>	<u>49,801</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	<u>1,583</u>	<u>982</u>	<u>2,565</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	73,647		73,647
Other Non-Operating Cash Disbursements	550		550
<b>Total Non-Operating Cash Disbursements</b>	<u>74,197</u>		<u>74,197</u>
Net Receipts Over/(Under) Disbursements	(22,824)	993	(21,831)
Fund Cash Balances, January 1	<u>166,423</u>		<u>166,423</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$143,599</u></u>	<u><u>\$993</u></u>	<u><u>\$144,592</u></u>

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

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Willshire, Van Wert County, (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, street maintenance and repair, water and sewer utilities, park operations, and fire protection services. The Village contracts with the Van Wert County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

**C. Cash and Investments**

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

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Fund**

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

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

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fire Fund** – This fund receives fire service contract revenue and transfers from the General Fund for maintaining equipment pertinent to providing fire protection services and for contracting emergency medical services.

**Fire Special Fund** – This fund receives donations from outside private sources for defraying the cost of unique and special equipment for the Fire Department.

**3. Enterprise Funds**

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

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

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

**4. Fiduciary Funds (Trust Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant fiduciary funds:

**Mausoleum Repair Fund** – This fund received a donation for the upkeep of the mausoleum at the cemetery.

**Cemetery Bequests** – The fund receives interest from fund investments. Proceeds are used to maintain grave sites. This fund is a nonexpendable trust fund.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2002 and 2001 budgetary activity appears in Note 4.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. RESTATEMENT OF FUND BALANCES**

The Village approved transfers from the Water and Sewer funds to a Debt Service fund for the purpose of making debt payments, however, no debt payments were made from the Debt Service fund and this was not the proper allocation of water and sewer revenues as set forth in debt covenant(s). Therefore, an adjustment is required the Water, Sewer, and Debt Service funds to realign these funds which were improperly transferred.

The following table summarizes the changes to fund balances:

Fund	Water	Sewer	Debt Service
Fund Balance, December 31, 2000	\$ 6,891	\$61,422	\$31,860
Reverse Transfers	11,928	19,932	(31,860)
Restated Fund Balance, January 1, 2001	<u>\$18,819</u>	<u>\$81,354</u>	<u>\$0</u>

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2001	2002
Demand deposits	\$10,817	\$8,256
Certificates of deposit	265,000	224,510
Total deposits	<u>275,817</u>	<u>232,766</u>
Repurchase agreement	6,592	0
Total deposits and investments	<u>\$282,409</u>	<u>\$232,766</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

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

**3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

**Investments:** The Village had a Repurchase/Security Agreement with Community First Bank and Trust. This agreement allowed the financial institution to invest excess funds in a repurchase agreement account. The financial institution maintained a record identifying the Village as owner of these securities and was not evidenced by securities that exist in physical or book-entry form. In July 2002 the bank did not offer this type of investment.

**4. BUDGETARY ACTIVITY**

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$85,557	\$96,006	\$10,449
Special Revenue	84,007	67,964	(16,043)
Enterprise	187,693	211,030	23,337
Fiduciary	0	5,005	5,005
Total	\$357,257	\$380,005	\$22,748

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$150,129	\$134,782	\$15,347
Special Revenue	97,820	58,015	39,805
Enterprise	302,095	231,884	70,211
Fiduciary	981	4,967	(3,986)
Total	\$551,025	\$429,648	\$121,377

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,000	\$144,536	\$62,536
Special Revenue	36,100	45,559	9,459
Enterprise	217,265	191,864	(25,401)
Fiduciary	0	993	993
Total	\$335,365	\$382,952	\$47,587

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$149,494	\$154,124	(\$4,630)
Special Revenue	55,420	40,605	14,815
Enterprise	306,816	214,688	92,128
Fiduciary	0	0	0
Total	\$511,730	\$409,417	\$102,313

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

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

**4. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio Rev. Code Section 5705.41 (D), the Village did not properly certify funds prior to a commitment being paid during 2002 or 2001.

Contrary to Ohio Rev. Code Section 5705.39, the Village appropriations for the following funds exceeded estimated resources during 2002 and 2001.

Appropriations exceeded the estimated resources for the following instances during 2002:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Street Construction Fund	\$12,794	\$22,600	(\$9,806)
Tree Fund	36,354	36,500	(146)
Fire Fund	12,830	26,320	(13,490)
Water Fund	93,633	157,000	(63,367)

Appropriations exceeded the estimated resources for the following instances during 2001:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Street Construction Fund	\$21,840	\$24,300	(\$2,460)
Tree Fund	1,338	2,500	(1,162)
Fire Fund	15,017	22,120	(7,103)
Cemetery Fund	0	5,500	(\$5,500)
Water Fund	115,948	157,440	(41,492)
Water Construction Fund	0	4,529	(4,529)

**5. PROPERTY TAX**

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

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

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

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

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

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

**6. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #1	\$482,616	2.00%
Ohio Water Development Authority Loan #2	203,684	2.00%
Ohio Public Works Commission	190,112	0.00%
USDA/RD Loan	206,903	4.75%
Building Purchase Note	26,296	5.91%
Total	<u>\$1,109,611</u>	

The \$482,616 outstanding OWDA loan is for the updating of the Village's sewer facilities. The loan is to be paid back, in semi-annual installments of \$19,932 which includes interest, with revenues generated from sewer billings. The Village does not have any plans to retire this debt at a date earlier than its scheduled maturity date.

The \$203,684 outstanding OWDA loan is for the construction of a new water plant facility. The loan is to be paid back, in semi-annual installments of \$5,987 which includes interest, with revenues generated from water billings. The Village does not have any plans to retire these debt issues at a date earlier than its scheduled maturity date.

The OPWC loan is for the construction of a new water plant facility. The loan is to be paid back, in semi-annual installments of \$5,941, with revenues generated from water billings. The Village does not have any plans to retire this debt at a date earlier than its scheduled maturity date.

The USDA/RD loan is for the construction of the new water plant facility. These are considered mortgage revenue bonds and no principal payment is due until 2002. Interest payments of \$9,302 are to be paid once a year, with revenues generated from water billings. The Village does not have any plans to retire this debt at a date earlier than its scheduled maturity date.

The Building Purchase Note is renewed annually with a stipulation in the note that the entity make payments of \$400 per month to help pay down the principal of the note. The original note in this series was executed in January of 2001, and the note in effect at December 31, 2002 is the second renewal.

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



**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

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

**6. DEBT (Continued)**

Year ending December 31:	OWDA Loan #1	OWDA Loan #2	USDA/RD Loan	OPWC Loan
2003	\$39,864	\$11,973	\$11,928	\$11,882
2004	39,864	11,973	12,028	11,882
2005	39,864	11,973	11,918	11,882
2006	39,864	11,973	12,010	11,882
2007	39,864	11,973	11,991	11,882
2008 - 2012	199,322	59,687	59,892	59,410
2013 - 2017	159,458	59,687	59,892	59,410
2018 - 2022		59,687	59,976	11,882
2023 - 2027		11,973	59,877	
2028 - 2032			59,859	
2033 - 2037			59,903	
2038 - 2039			24,006	
Total	<u>\$558,100</u>	<u>\$250,899</u>	<u>\$443,280</u>	<u>\$190,112</u>

**7. RETIREMENT SYSTEMS**

The Village's officials and full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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.

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

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions

**9. CONTRACTUAL COMMITMENTS**

There was one outstanding contractual commitment for a restroom project in the amount of \$67,900.

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**Auditor of State  
Betty Montgomery**

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

Village of Willshire  
Van Wert County  
323 State Street  
PO Box 110  
Willshire, OH 45898

To the Village Council:

We have audited the accompanying financial statements of the Village of Willshire, Van Wert County, (the Village), as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated June 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2002-001 to 2002-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 4, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 4, 2003.

Village of Willshire  
Van Wert County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
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This report is intended solely for the information and use of the management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

June 4, 2003

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Ohio Rev. Code 733.28** states the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived therefrom, and of all taxes and assessments.

The Village did not account for all transactions on the books of the Village or the financial statements. The proceeds of debt issued for the purchase of the Village Hall was not recorded during 2001, in addition to the subsequent renewal and rollover of this note debt during 2001 and 2002. During 2001, this resulted in the failure to record \$58,979 for debt proceeds, \$29,900 for capital outlay expenses and \$29,079 for repayment of debt on the records of the Village. During 2002, this resulted in the failure to record \$26,296 in debt proceeds and repayment of debt. The Village also incorrectly recorded the monthly debt payments during 2001 and 2002 as capital outlay expenses rather than debt payments. The accompanying financial statements include adjustments to accurately report this financial activity of the Village.

The Village should record all transaction in the books of the Village. Reference can be made to the Village Officer's Handbook and AOS Bulletin 97-001 with regards to accounting for debt issuances and repayment.

**FINDING NUMBER 2002-002**

**Ohio Rev. Code Section 5705.41(D)** states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certificate should be considered null and void. If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time that contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

For 100% of the expenditures tested, the Village honored expenditures for which there was no certification from the fiscal officer. Council did not exercise the exception outlined above for any of these expenditures.

The Village should review Ohio Rev. Code Section 5705.41(D) and implement procedures for certification of funds.

**FINDING NUMBER 2002-003**

**Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16**, state that no transfer can be made from one fund of a subdivision to any other fund, subject to certain exceptions. Money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority. Except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for general fund transfers though a resolution is required). In addition to the transfers listed above, which are authorized in Ohio Rev. Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and of the Court of Common Pleas, may transfer from one fund to another any public funds under its supervision.

The Village made a transfer from the Fire Fund and Fire Special Fund to the Fire Truck Repair Fund in the amount of \$8,026 (representing 13.8% of total Special Revenue Fund type expenditures) which is not appropriate unless approved by the Tax Commissioner and Court of Common Pleas. This transfer was also not approved by Council.

The Village should review the Ohio Revised Code for proper transfers and have Council approve all transfers.

**FINDING NUMBER 2002-004**

**Ohio Rev. Code Section 5705.39** states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded the estimated resources for the following instances during 2002:

<b>Fund</b>	<b>Estimated Resources</b>	<b>Appropriations</b>	<b>Variance</b>
Street Construction Fund	\$12,794	\$22,600	(\$9,806)
Tree Fund	36,354	36,500	(146)
Fire Fund	12,830	26,320	(13,490)
Water Fund	93,633	157,000	(63,367)

Appropriations exceeded the estimated resources for the following instances during 2001:

<b>Fund</b>	<b>Estimated Resources</b>	<b>Appropriations</b>	<b>Variance</b>
Street Construction Fund	\$21,840	\$24,300	(\$2,460)
Tree Fund	1,338	2,500	(1,162)
Fire Fund	15,017	22,120	(7,103)
Cemetery Fund	0	5,500	(5,500)
Water Fund	115,948	157,440	(41,492)
Water Construction Fund	0	4,529	(4,529)

The Village should not appropriate more than the beginning balance of the fund plus the amounts estimated.

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 and 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2000-30281-001	ORC Sec. 5705.41 (B)	No	Partially Corrected. Repeated as a Management Letter Comment
2000-30281-002	ORC Sec. 5705.41 (D)	No	Not Corrected







**Auditor of State  
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**VILLAGE OF WILLSHIRE**

**VAN WERT 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 31, 2003**