



**Auditor of State
Betty Montgomery**

VILLAGE OF WILLSHIRE
VAN WERT COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 15, 2005

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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 Village of Willshire, Van Wert County, (the Village) as of and for the years ended December 31, 2004 and 2003. 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 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 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 this 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 year ended December 31, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, 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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The accompanying financial statements have been prepared assuming the Village will continue as a going concern. As discussed in Note 10 to the financial statements, the Village has incurred deficit spending in several funds and maintains deficit fund balances in the General and Water Funds that raise substantial doubt about its ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 September 15, 2005, 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.



Betty Montgomery
Auditor of State

September 15, 2005

**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, 2004**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$19,051				\$19,051
Intergovernmental Receipts	45,945	20,401	30,101		96,447
Charges for Services	120	22,320			22,440
Earnings on Investments	2,055	132		1	2,188
Miscellaneous	6,382	14,013			20,395
Total Cash Receipts	73,553	56,866	30,101	1	160,521
Cash Disbursements:					
Current:					
Security of Persons and Property		7,730			7,730
Public Health Services	2,534	5,820			8,354
Leisure Time Activities	0	1,807			1,807
Community Environment	95				95
Transportation		14,186			14,186
General Government	79,859				79,859
Debt Service	41,974		69,011		110,985
Capital Outlay	636	8,177	1,256		10,069
Total Cash Disbursements	125,098	37,720	70,267		233,085
Total Receipts Over/(Under) Disbursements	(51,545)	19,146	(40,166)	1	(72,564)
Other Financing Receipts and (Disbursements):					
Transfers-In		8,000	23,088		31,088
Transfers-Out	(30,088)	(1,000)			(31,088)
Total Other Financing Receipts/(Disbursements)	(30,088)	7,000	23,088		
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(81,633)	26,146	(17,078)	1	(72,564)
Fund Cash Balances, January 1	39,836	61,338	17,078	34	118,286
Fund Cash Balances, December 31	(\$41,797)	\$87,484	\$0	\$35	\$45,722

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 - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$189,395		\$189,395
Miscellaneous	900		900
	<hr/>		<hr/>
Total Operating Cash Receipts	190,295		190,295
	<hr/>		<hr/>
Operating Cash Disbursements:			
Personal Services	59,496		59,496
Contractual Services	72,381		72,381
Supplies and Materials	15,397		15,397
Capital Outlay	10,636		10,636
	<hr/>		<hr/>
Total Operating Cash Disbursements	157,910		157,910
	<hr/>		<hr/>
Operating Income	32,385		32,385
	<hr/>		<hr/>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	5,438		5,438
	<hr/>		<hr/>
Non-Operating Cash Disbursements:			
Debt Service	75,770		75,770
Other Non-Operating Cash Disbursements	402		402
	<hr/>		<hr/>
Total Non-Operating Cash Disbursements	76,172		76,172
	<hr/>		<hr/>
Receipts (Under) Disbursements	(38,349)		(38,349)
	<hr/>		<hr/>
Fund Cash Balances, January 1	68,522	997	69,519
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$30,173</u>	<u>\$997</u>	<u>\$31,170</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 AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$19,561				\$19,561
Intergovernmental Receipts	33,082	19,109			52,191
Charges for Services	540	17,475			18,015
Earnings on Investments	3,534	225		1	3,760
Miscellaneous	5,890	12,079	15,458		33,427
Total Cash Receipts	<u>62,607</u>	<u>48,888</u>	<u>15,458</u>	<u>1</u>	<u>126,954</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	11,247	22,262			33,509
Public Health Services	2,092	6,289			8,381
Leisure Time Activities	0	419			419
Community Environment	99				99
Transportation		15,675			15,675
General Government	81,343				81,343
Debt Service	62,663		67,000		129,663
Financing and Other Debt-Service Related	700				700
Capital Outlay	5,829	1,918	65,380		73,127
Total Cash Disbursements	<u>163,973</u>	<u>46,563</u>	<u>132,380</u>		<u>342,916</u>
Total Receipts Over/(Under) Disbursements	<u>(101,366)</u>	<u>2,325</u>	<u>(116,922)</u>	<u>1</u>	<u>(215,962)</u>
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes	91,225		134,000		225,225
Transfers-In		5,000			5,000
Transfers-Out	(5,000)				(5,000)
Total Other Financing Receipts/(Disbursements)	<u>86,225</u>	<u>5,000</u>	<u>134,000</u>		<u>225,225</u>
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(15,141)	7,325	17,078	1	9,263
Fund Cash Balances, January 1	54,977	54,013		33	109,023
Fund Cash Balances, December 31	<u>\$39,836</u>	<u>\$61,338</u>	<u>\$17,078</u>	<u>\$34</u>	<u>\$118,286</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 - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$185,572		\$185,572
Miscellaneous	1,000		1,000
	<u>186,572</u>		<u>186,572</u>
Operating Cash Disbursements:			
Personal Services	61,526		61,526
Contractual Services	67,308		67,308
Supplies and Materials	18,185		18,185
Capital Outlay	3,502		3,502
	<u>150,521</u>		<u>150,521</u>
Operating Income	<u>36,051</u>		<u>36,051</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	<u>1,255</u>		<u>1,255</u>
Non-Operating Cash Disbursements:			
Debt Service	90,430		90,430
Other Non-Operating Cash Disbursements	<u>1,100</u>		<u>1,100</u>
Total Non-Operating Cash Disbursements	<u>91,530</u>		<u>91,530</u>
Receipts (Under) Disbursements	(54,224)		(54,224)
Fund Cash Balances, January 1	<u>122,746</u>	<u>997</u>	<u>123,743</u>
Fund Cash Balances, December 31	<u><u>\$68,522</u></u>	<u><u>\$997</u></u>	<u><u>\$69,519</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, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Willshire, Van Wert County, (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit 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.

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

VILLAGE OF WILLSHIRE
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Park Restroom Fund – This fund was used to receive revenue from grants and contributions to build and maintain restrooms in the Village park.

4. 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.

5. 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. Village 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 unencumbered 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, 2004 AND 2003
(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 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	(\$7,123)	(\$7,195)
Certificates of deposit	84,015	195,000
Total deposits	\$76,892	\$187,805

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$124,154	\$73,553	(\$50,601)
Special Revenue	81,832	64,866	(16,966)
Capital Project	53,189	53,189	0
Enterprise	242,051	195,733	(46,318)
Fiduciary	0	1	1
Total	\$501,226	\$387,342	(\$113,884)

**VILLAGE OF WILLSHIRE
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$145,181	\$155,186	(\$10,005)
Special Revenue	58,801	38,720	20,081
Capital Projects	70,267	70,267	0
Enterprise	297,266	234,082	63,184
Fiduciary	0	0	0
Total	<u>\$571,515</u>	<u>\$498,255</u>	<u>\$73,260</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$90,359	\$153,832	\$63,473
Special Revenue	62,168	53,888	(8,280)
Capital Projects	149,458	149,458	0
Enterprise	211,029	187,827	(23,202)
Fiduciary	0	1	1
Total	<u>\$513,014</u>	<u>\$545,006</u>	<u>\$31,992</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$127,700	\$168,973	(\$41,273)
Special Revenue	58,801	46,563	12,238
Capital Projects	132,380	132,380	0
Enterprise	297,166	242,051	55,115
Fiduciary	0	0	0
Total	<u>\$616,047</u>	<u>\$589,967</u>	<u>\$26,080</u>

Contrary to Ohio Rev. Code Section 5705.41 (D), the Village did not properly certify funds prior to a commitment being paid during 2004 or 2003.

Contrary to Ohio Rev. Code Section 5705.39, the Village appropriations exceeded estimated resources in the Street, Fire and Water Funds for fiscal year 2004 and the Street, Tree, Fire Special and Water Funds for fiscal year 2003.

Contrary to Ohio Rev. Code Section 5705.41 (B), the Village expenditures exceeded appropriations in the General, Cemetery and Tree Funds for fiscal year 2004 and the General and Cemetery Funds for fiscal year 2003.

Contrary to Ohio Rev. Code Section 5705.10, monies set aside for particular purposes were used to pay the expenditures of another fund based upon negative fund balances.

**VILLAGE OF WILLSHIRE
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #1	\$421,588	2.00%
Ohio Water Development Authority Loan #2	187,726	2.00%
Ohio Public Works Commission	166,347	0.00%
USDA/RD Loan	<u>202,503</u>	4.75%
Total	<u><u>\$978,164</u></u>	

Ohio Water Development Authority loan #1 is for the updating of the Village's sewer facilities. The loan was authorized May 25, 1990, with the first payment due June 1, 1992 and payable in semi-annual installments of \$19,932 which includes interest, with revenues generated from sewer billings over a period of 25 years. The Village does not have any plans to retire this debt at a date earlier than its scheduled maturity date.

The Ohio Water Development Authority loan #2 is for the construction of a new water plant facility. The loan was authorized January 29, 1998 with the first payment due June 1, 1999 and payable in semi-annual installments of \$5,987 which includes interest, with revenues generated from water billings over a period of 25 years. 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 was authorized July 1, 1996, with the first payment due July 1, 1999 and payable in semi-annual installments of \$5,941, with revenues generated from water billings over period of 20 years. 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 and is considered as mortgage revenue bonds. The loan was authorized March 8, 1999, with the first payment due March 1, 2000 and payable in annual installments of \$9,302 with revenues generated from water billings over a forty year period. The Village does not have any plans to retire this debt at a date earlier than its scheduled maturity date.

**VILLAGE OF WILLSHIRE
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT (Continued)

	<u>OWDA Loan #1</u>	<u>OWDA Loan #2</u>	<u>USDA/RD Loan</u>	<u>OPWC Loan</u>
Year ending December 31:				
2005	\$39,864	\$11,973	11,919	\$11,882
2006	39,864	11,973	12,010	11,882
2007	39,864	11,973	11,991	11,882
2008	39,864	11,973	11,967	11,882
2009	39,864	11,973	11,939	11,882
2010 - 2014	199,322	59,867	59,943	59,410
2015 - 2019	78,955	59,867	59,964	47,527
2020 - 2024		47,892	59,863	
2025 - 2029			59,666	
2030 - 2034			59,992	
2035 - 2039			59,871	
Total	<u>\$477,597</u>	<u>\$227,491</u>	<u>\$419,125</u>	<u>\$166,347</u>

6. RETIREMENT SYSTEMS

Four of the Village's elected officials (three council members and the Clerk) and all other full-time and part time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries.

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose Social Security or the appropriate State Retirement System. As of December 31, 2004, three Village Council members and the Mayor had elected Social Security. The Village's liability is 6.2 percent of wages paid.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. CONTINGENT LIABILITIES

The Village is a defendant in one lawsuit. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

**VILLAGE OF WILLSHIRE
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

9. SUBSEQUENT EVENTS

The Village entered into an agreement with the Ohio Small Government Capital Improvement Commission effective July 1, 2005 for a project entitled Ft. Recovery Road, Rockford Road and State St. Reconstruction. As part of this agreement, the Village agreed to pledge an amount equal to \$36,000 as their local share of the project costs.

The Village obtained a bank loan of \$26,150 on June 29, 2005 for the purpose of paying water and sewer debt obligations. The loan bears an interest rate of 4.42% and matures November 5, 2005.

10. MANAGEMENT'S PLAN REGARDING DEFICIT

The Village operated with significant deficit spending (receipts over disbursements) in the following funds:

<u>Fund</u>	<u>2004</u>	<u>2003</u>
General	\$81,633	\$15,141
Water	17,277	26,137
Sewer	21,570	27,987

At December 31, 2004, the Village's General Fund deficit was \$41,797. The Village also maintained a deficit balance in the Water fund of \$38,175. The Village passed an income tax ordinance on September 6, 2005 to levy a 1% income tax on salaries, wages, commissions and other compensation and on net profits to provide funds for the purposes of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and capital improvements. The tax will be imposed on and after January 1, 2006 until repealed.

Village personnel have discussed the water and sewer rates, but no formal action of plan has been addressed by Village personnel for the water and sewer deficits.

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

To the Village Council:

We have audited the financial statements of the Village of Willshire, Van Wert County, (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 15, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and it was noted that there was substantial doubt about its ability to continue as a going concern. 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 in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-009 and 2004-010.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider the reportable condition 2004-009 listed above to be a material weakness. In a separate letter to the Village's management dated September 15, 2005, 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 2004-001 through 2004-008. In a separate letter to the Village's management dated September 15, 2005, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

September 15, 2005

**VILLAGE OF WILLSHIRE
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code 733.28 states, in part, that 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 there-from, and of all taxes and assessments.

The Village did not account for all transactions on the books of the Village or the financial statements as follows: 1) a debt payment for the retirement of a construction note for \$77,250 was not recorded along with note proceeds of \$77,400 from a renewal note related to the same project; 2) a debt payment for flood related expenses for \$30,150 was not recorded along with note proceeds of \$30,300 from a renewal note related to the same issue; 3) the proceeds from the issuance of the note for the construction project for \$77,250 were recorded net of the payoff for a note related to the payment of current expenses for \$10,125 and the related payoff was not recorded; 4) the payoff of the note for current expenses of \$10,125 was recorded in a fund other than the fund receiving the monies; and 5) debt expenditures related to the water fund totaling \$23,855 from fiscal years 2004 and 2003 were paid from the wastewater fund. Also, the amounts received from the sale of the notes mentioned above were incorrectly recorded as miscellaneous revenues rather than note proceeds. The accompanying financial statements include thirty-six audit 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 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.10 provides, in part, that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made and all revenue derived from a source other than the 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. **Ohio Rev. Code Section 5747.51(J)** states that all money received into the treasury of a subdivision from the undivided local government fund in a county treasury shall be paid into the general fund and used for the current operating expenses of the subdivision.

The Village posted the proceeds received from the county local government revenue assistance fund to the Street, Construction Maintenance and Repair (SCM&R Fund) and the State Highway Fund during 2004 and 2003 rather than the General Fund as required. This required an audit adjustment to correctly post the revenues to the general fund as follows: 2004 – Decrease SCM&R fund revenues and fund balances \$4,448, decrease State Highway fund revenues and fund balance \$309 and increase the general fund revenues and fund balances by \$4,757 and for 2003 decrease SCM&R fund revenues and fund balances \$1,669, decrease State Highway fund revenues and fund balances by \$115 and increase the General fund revenue and fund balances by \$1,784. The accompanying financial statements reflect the above noted adjustment and the adjustments have been posted to the accounting records of the Village. The Village should review the village manual and the chart of accounts to determine the proper funds and codes for posting of revenues.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states, in part, that the total appropriation from each fund shall 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 estimated resources in the following instances:

Fund	Estimated Resources	Appropriations	Variance
2004			
Street Fund	\$17,061	\$22,900	\$(5,839)
Fire Fund	16,610	22,720	(6,110)
Water Fund	105,340	157,400	(52,060)
2003			
Street Fund	19,410	22,900	(3,490)
Fire Special Fund	5,588	10,500	(4,912)
Water Fund	125,840	157,400	(31,560)

The aforementioned comparisons took place prior to the adjustments which effected fund balances, therefore the estimated resource amounts above include balances prior to adjustments.

Village personnel should periodically compare budgeted revenue with appropriations and determine any modifications which need to be made.

FINDING NUMBER 2004-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The following funds had expenditures in excess of appropriations as shown below.

Fund	Appropriations	Expenditures	Variance
2004			
General Fund	\$111,343	\$120,080	\$(8,737)
Cemetery Fund	981	5,820	(4,839)
Tree Fund	36,700	82,825	(46,125)
Wastewater Fund	115,466	136,281	(20,815)
2003			
General Fund	107,050	124,155	(17,105)
Cemetery Fund	981	6,289	(5,308)
Tree Fund	36,700	65,799	(29,099)
Wastewater Fund	115,366	138,568	(23,202)

The comparison above was based upon appropriations and expenditures prior to adjustments.

Also, per testing at the legal level of control, there were thirteen instances of expenditures exceeding appropriations during November of 2004 and thirteen instances during October of 2003.

Village personnel should adopt appropriations prior to authorizing the expenditures of funds and should periodically compare actual expenditures with appropriations to assure that expenditures are within the appropriated amounts. Appropriation amendments should be made when necessary and should be filed with the County Auditor on a timely basis.

FINDING NUMBER 2004-005

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing authority 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 is 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.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in 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 that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period running beyond the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months). The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The failure to certify the availability of funds prior to the obligation could result in negative fund balance and/or deficit spending by the Village.

One-hundred percent of the expenditures tested for the years 2004 and 2003 were initiated without obtaining the prior certification of the Clerk. Council and the Board of Public Affairs did not exercise the exception outlined above for any of these expenditures.

Village officials and management should review Section 5705.41(D) and implement procedures for certification of funds.

FINDING NUMBER 2004-006

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states, in part, that all revenue derived from a source other than the 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. Money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The General Fund (\$41,797) and Water Fund (\$38,175) had significant negative fund balances at December 31, 2004 and throughout the year. The Water Fund had a significant negative fund balance at December 31, 2003 (\$20,898). The Village also incurred negative balances in the Tree Fund and Wastewater Fund during the audit period.

The Village should have a process in place to review balances monthly and transfer or advance money and/or determine ways to reduce expenditures or increase revenues as deemed necessary to operate without having negative fund balances.

FINDING NUMBER 2004-007

Noncompliance Citation

Ohio Rev. Code Section 133.10 authorizes the taxing authority of any subdivision to issue securities in anticipation of the collection of current property taxes and/or any other current revenues. The securities issued cannot exceed one-half of the amount of the projected revenues remaining to be received during the fiscal year, as estimated by the budget commission in the case of property taxes, or as estimated by the fiscal officer in the case of other revenues.

The Village issued \$77,250 in revenue anticipation monies for building of park restrooms, however the total of the anticipated grant revenues were not fully and accurately predictable at the time of the issuance and the total grant monies collected only amounted to \$30,101. This resulted in a large negative balance in the Park Restroom Fund with no plans for further funding and ultimately contributed to the deficit balance in the General fund.

Village management needs to assure that proper planning has been done for any project prior to incurring debt and that ample revenues will be received in order to pay the debt.

FINDING NUMBER 2004-008

Noncompliance Citation

Village Ordinance 166-99, Section 1, states that rates and charges for the services of the System will be fixed in an amount sufficient to pay the costs of operating and maintaining the System and to provide an amount of revenues adequate for the payment of principal and interest, debt service reserve requirements, replacements and improvement requirements, and all other requirements.

The Water Fund had a negative balance at the end of fiscal year 2003 and throughout 2004, which could indicate the rates are not sufficient to pay the costs of operating and maintaining the system and to provide revenues to provide payment of principal and interest and fund the required reserve accounts.

The Village officials should review the water rates to assure enough revenue is collected to comply with this requirement

FINDING NUMBER 2004-009

Recommendation - Material Weakness

General, Water and Sewer Fund Revenues/Expenditures

The General Fund had negative balances throughout 2004, the Water Fund had a negative balance at the end of fiscal year 2003 and throughout 2004, and the Sewer Fund had negative balances throughout 2004, which indicate that revenues are not adequate to cover the general expenditures of the Village and/or expenditures are not properly distributed across funds to properly absorb each fund's share of the costs and water and sewer rates are not sufficient to pay the costs of operating and maintaining the systems and to provide revenues to provide payment of principal and interest and fund the required reserve accounts.

The Village Council, Mayor and Clerk should evaluate the revenues and expenditures of the General Fund and determine what actions need to be taken to alleviate the negative balances and the Board of Public Affairs, Village Council, Mayor and Clerk should evaluate the revenues and expenditures of the Water and Sewer Funds and determine if an increase in rates is required.

FINDING NUMBER 2004-010

Recommendation - Reportable Condition

Debt Issuance

Village personnel issued promissory notes for expenses related to a flood (\$30,000 issued during August of 2003 and renewed during November of 2003), for Restroom Construction (\$67,000 issued during May 2003 and renewed during November 2003), and for current expenses (\$10,000 issued during May 2003 and renewed during November 2003). The issuance of the notes were approved by a motion of the Village Council in the minutes, but did not include adequate detail to describe the issues, including but not limited to; 1) the principal amount or maximum principal amount of the securities to be issued and outstanding; 2) the method of determining the rate or rates of interest or the maximum rate or rates to be paid and the date or dates of the securities and the maturity or maturities; 3) details to establish provisions, if any, for the for redemption or prepayment of the securities in whole or in part before maturity; and 4) plans for the repayment of the debt. Also, the fiscal officer of the subdivision shall file a copy of the legislation passed with the county auditor.

The absence of a formal written resolution detailing the terms and conditions of the debt issuances and the absence of formal notification to the county auditor of debt issuances could lead misunderstandings concerning the terms of the debt and plans for repayment and could result in the inability of the entity to repay the debt.

Village personnel should review the Ohio Revised Code for proper procedures concerning the issuance of debt and consult with their Solicitor or other legal counsel relating to the proper procedures for issuance of debt. A formal written resolution should be passed prior to the issuance of any debt.

**VILLAGE OF WILLSHIRE
VAN WERT COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	ORC Sec. 733.28 – The Village did not present accurate financial statements	No	Repeated as Finding # 001.
2002-002	ORC Sec. 5705.41 (D) – Failed to obtain prior approval for expenditures.	No	Repeated as Finding # 005.
2002-003	ORC Sec. 5705.14, 5705.15 and 5705.16 - Illegal transfers	Partially corrected	Repeated as management letter citation.
2002-004	ORC Sec. 5705.39 - Appropriations exceed estimated resources	No	Repeated as Finding # 003.



**Auditor of State
Betty Montgomery**

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800-282-0370
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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
NOVEMBER 10, 2005**