



Dave Yost • Auditor of State



VILLAGE OF WARSAW  
COSHOCOTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Warsaw  
Coshocton County  
322 Mill Street  
P.O. Box 399  
Warsaw, Ohio 43844

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Warsaw, Coshocton County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the year then ended.

***Basis for Qualified Opinion***

Charges for services in the Recreation Fund are reported at \$17,492, and \$19,902 for the years ended December 31, 2012 and 2011, respectively, which are 10 percent of Special Revenue Fund receipts for the year ended December 31, 2012, and 11 percent of Special Revenue Fund receipts for the year ended December 31, 2011. Charges for services receipts in the Park Fund are reported at \$56,696 for the year ended December 31, 2011, which is 31 percent of total Special Revenue Fund receipts for the year ended December 31, 2011. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Warsaw, Coshocton County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2011 the Village of Warsaw, Coshocton County, Ohio adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

October 15, 2013

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**VILLAGE OF WARSAW  
COSHOCKTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$41,242	\$12,232		\$53,474
Intergovernmental	38,504	29,632		68,136
Charges for Services	356	107,484	\$2,621	110,461
Fines, Licenses and Permits	5,691			5,691
Rental Income	12,050			12,050
Contributions and Donations		23,679		23,679
Earnings on Investments	771	13	32	816
Miscellaneous	1,014	7,297		8,311
<i>Total Cash Receipts</i>	<u>99,628</u>	<u>180,337</u>	<u>2,653</u>	<u>282,618</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	42,730			42,730
Public Health Services	319	17,297		17,616
Leisure Time Activities	69	118,301		118,370
Community Environment	8,774			8,774
Basic Utility Services	79			79
Transportation		27,051		27,051
General Government	31,299			31,299
Debt Service:				
Principal Retirement		2,803		2,803
Interest and Fiscal Charges		260		260
<i>Total Cash Disbursements</i>	<u>83,270</u>	<u>165,712</u>	<u>0</u>	<u>248,982</u>
<i>Excess of Receipts Over Disbursements</i>	<u>16,358</u>	<u>14,625</u>	<u>2,653</u>	<u>33,636</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers Out	(32)			(32)
Other Financing Sources	65	45		110
Other Financing Uses			(1,751)	(1,751)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>33</u>	<u>45</u>	<u>(1,751)</u>	<u>(1,673)</u>
<i>Net Change in Fund Cash Balances</i>	16,391	14,670	902	31,963
<i>Fund Cash Balances, January 1</i>	<u>168,956</u>	<u>114,386</u>	<u>28,234</u>	<u>311,576</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	29,136	29,136
Restricted	0	75,386	0	75,386
Committed	0	53,670	0	53,670
Assigned	145,079	0	0	145,079
Unassigned	40,268	0	0	40,268
<i>Fund Cash Balances, December 31</i>	<u>\$185,347</u>	<u>\$129,056</u>	<u>\$29,136</u>	<u>\$343,539</u>

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

**VILLAGE OF WARSAW  
COSHOCTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Types		Totals
	Enterprise	Internal Service	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$187,323	\$10,500	\$197,823
<i>Total Operating Cash Receipts</i>	<u>187,323</u>	<u>10,500</u>	<u>197,823</u>
<b>Operating Cash Disbursements</b>			
Personal Services	73,156		73,156
Employee Fringe Benefits	18,542		18,542
Contractual Services	49,019		49,019
Supplies and Materials	45,296		45,296
Claims		9,235	9,235
<i>Total Operating Cash Disbursements</i>	<u>186,013</u>	<u>9,235</u>	<u>195,248</u>
<i>Operating Income (Loss)</i>	<u>1,310</u>	<u>1,265</u>	<u>2,575</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Earnings on Investments	608		608
Miscellaneous Receipts	1,361		1,361
Capital Outlay	(1,223)		(1,223)
Principal Retirement	(13,123)		(13,123)
Interest and Other Fiscal Charges	(1,345)		(1,345)
Other Financing Sources	1,868		1,868
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(11,854)</u>	<u>0</u>	<u>(11,854)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(10,544)</u>	<u>1,265</u>	<u>(9,279)</u>
Transfers In	<u>32</u>		<u>32</u>
<i>Net Change in Fund Cash Balances</i>	<u>(10,512)</u>	<u>1,265</u>	<u>(9,247)</u>
<i>Fund Cash Balances, January 1</i>	<u>177,036</u>	<u>0</u>	<u>177,036</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$166,524</u></u>	<u><u>\$1,265</u></u>	<u><u>\$167,789</u></u>

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

**VILLAGE OF WARSAW  
COSHOCTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$48,054	\$11,532		\$59,586
Intergovernmental	41,032	31,563		72,595
Charges for Services		89,499	\$1,100	90,599
Fines, Licenses and Permits	4,997			4,997
Rental Income	11,201			11,201
Contributions and Donations		31,174		31,174
Earnings on Investments	2,855	30	54	2,939
Miscellaneous	1,155	5,060		6,215
<i>Total Cash Receipts</i>	<u>109,294</u>	<u>168,858</u>	<u>1,154</u>	<u>279,306</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	38,221			38,221
Public Health Services	35	12,917	954	13,906
Leisure Time Activities	120	104,084		104,204
Community Environment	5,471			5,471
Basic Utility Services	3,359			3,359
Transportation		25,462		25,462
General Government	40,109	3,500		43,609
Capital Outlay		11,530		11,530
Debt Service:				
Principal Retirement		1,596		1,596
Interest and Fiscal Charges		188		188
<i>Total Cash Disbursements</i>	<u>87,315</u>	<u>159,277</u>	<u>954</u>	<u>247,546</u>
<i>Excess of Receipts Over Disbursements</i>	<u>21,979</u>	<u>9,581</u>	<u>200</u>	<u>31,760</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Bonds		11,530		11,530
Sale of Capital Assets	12,440			12,440
Transfers Out	(45)			(45)
Other Financing Sources	1,134			1,134
Other Financing Uses		(495)	(500)	(995)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>13,529</u>	<u>11,035</u>	<u>(500)</u>	<u>24,064</u>
<i>Net Change in Fund Cash Balances</i>	35,508	20,616	(300)	55,824
<i>Fund Cash Balances, January 1</i>	<u>133,448</u>	<u>93,770</u>	<u>28,534</u>	<u>255,752</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	28,234	28,234
Restricted	0	57,078	0	57,078
Committed	0	57,308	0	57,308
Assigned	127,833	0	0	127,833
Unassigned	41,123	0	0	41,123
<i>Fund Cash Balances, December 31</i>	<u>\$168,956</u>	<u>\$114,386</u>	<u>\$28,234</u>	<u>\$311,576</u>

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

**VILLAGE OF WARSAW  
COSHOCTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types		Totals
	Enterprise	Internal Service	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$188,928	\$10,000	\$198,928
<i>Total Operating Cash Receipts</i>	<u>188,928</u>	<u>10,000</u>	<u>198,928</u>
<b>Operating Cash Disbursements</b>			
Personal Services	73,975		73,975
Employee Fringe Benefits	19,116		19,116
Contractual Services	50,123		50,123
Supplies and Materials	44,764		44,764
Claims	0	10,000	10,000
<i>Total Operating Cash Disbursements</i>	<u>187,978</u>	<u>10,000</u>	<u>197,978</u>
<i>Operating Income</i>	<u>950</u>	<u>0</u>	<u>950</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts	3,313		3,313
Capital Outlay	(468)		(468)
Principal Retirement	(12,509)		(12,509)
Interest and Other Fiscal Charges	(1,959)		(1,959)
Other Financing Sources	395		395
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(11,228)</u>	<u>0</u>	<u>(11,228)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(10,278)</u>	<u>0</u>	<u>(10,278)</u>
Transfers In	<u>45</u>		<u>45</u>
<i>Net Change in Fund Cash Balances</i>	<u>(10,233)</u>	<u>0</u>	<u>(10,233)</u>
<i>Fund Cash Balances, January 1</i>	<u>187,269</u>	<u>0</u>	<u>187,269</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$177,036</u></u>	<u><u>\$0</u></u>	<u><u>\$177,036</u></u>

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

**VILLAGE OF WARSAW  
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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 Warsaw, Coshocoton County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with the Coshocoton County Sheriff's department to provide security of persons and property.

The Village participates in one jointly governed organization. Note 10 to the financial statements provides additional information for this entity. This organization is:

Jointly Governed Organization:

Walhonding Valley Fire District (District)

The District is a body corporate and politic formed by the Village and several other political subdivisions under Ohio Revised Code Section 505.371 to provide fire protection services.

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

**B. Accounting Basis**

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. The Village 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits**

All deposits are maintained in certificate of deposits, savings accounts and interest bearing checking accounts

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF WARSAW  
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Cemetery Fund – This fund receives interest and money from sales of plots for maintaining its cemeteries.

Park Fund – This fund receives donations and swimming pool fees for Village recreation.

Oil and Gas Royalties Fund – This fund was established to collect royalties from oil deposits for land donated to the Village. The land is part of the Village park and used for Village recreation.

**3. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

**4. Enterprise Funds**

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

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

VILLAGE OF WARSAW  
COSHOCKTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

D. **Fund Accounting (Continued)**

5. **Internal Service Fund**

This fund accounts for services provided by one department to other departments of the government unit. The Village had the following Internal Service Fund:

Health Insurance Fund – This fund receives funding from other Village funds to reimburse employees for health fees.

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 object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. **Estimated Resources**

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

3. **Encumbrances**

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

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. **Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

VILLAGE OF WARSAW  
COSHOCOTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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.

**VILLAGE OF WARSAW  
COSHOCKTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**2. Change in Accounting Principle and Restatement of Net Assets/Fund Equity**

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54.

**3. Equity in Pooled Deposits**

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

	2012	2011
Demand deposits	\$368,243	\$345,950
Certificates of deposit	143,085	142,662
Total deposits	511,328	488,612

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2012 and December 31, 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$94,377	\$99,693	\$5,316
Special Revenue	190,620	180,382	(10,238)
Enterprise	207,527	191,192	(16,335)
Internal Service	10,500	10,500	0
Permanent	1,717	2,653	936
Total	\$504,741	\$484,420	(\$20,321)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$221,051	\$83,302	\$137,749
Special Revenue	299,236	165,722	133,514
Enterprise	384,551	201,725	182,826
Internal Service	10,500	9,235	1,265
Permanent	29,950	1,751	28,199
Total	\$945,288	\$461,735	\$483,553

**VILLAGE OF WARSAW  
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. Budgetary Activity (Continued)**

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,539	\$122,868	\$15,329
Special Revenue	171,875	180,388	8,513
Enterprise	206,322	192,681	(13,641)
Internal Service	10,100	10,000	(100)
Permanent	1,700	1,154	(546)
Total	\$497,536	\$507,091	\$9,555

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$188,381	\$87,360	\$101,021
Special Revenue	265,619	159,782	105,837
Enterprise	249,340	202,935	46,405
Internal Service	10,000	10,000	0
Permanent	30,234	1,454	28,780
Total	\$743,574	\$461,531	\$282,043

**5. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**VILLAGE OF WARSAW  
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. Debt**

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Chase Bank Promissory Note	\$20,938	4.5%
Ohio Heritage Bank - Bonds	\$7,131	3%
Total	\$28,069	

The Chase Bank promissory loan relates to a sanitary sewer project. It was obtained on July 19, 1999. The Village makes debt service payments from the Sewer Operating Fund and has set utility rates sufficient to cover debt service requirements.

The Village issued general obligation bonds to finance the purchase of a new mower for the cemetery. The bond issuance was approved by Village ordinance on May 18, 2011. Village Ordinance 2011-03 documents required debt covenants. Section four of this ordinance required the Village to obtain a property tax levy for the specific purpose of bond repayment and to place the property tax levy revenue into a bond retirement fund. Contrary to this debt covenant, the Village has not obtained a property tax levy and has not established a bond retirement fund. The Village makes debt service payments from the Cemetery Fund.

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

	Chase Bank Promissory Note	Ohio Heritage Bank - Bonds
Year ending December 31:		
2013	\$14,469	\$3,062
2014	8,440	3,062
2015	1,276	1,276
Total	\$22,909	\$7,400

**7. Retirement Systems**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**VILLAGE OF WARSAW  
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**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. Related Party Transactions**

A Village Council member is owner of a company from which the Village acquired supplies during the year. The Village paid \$6,025 and \$4,154 for these supplies in 2012 and 2011, respectively.

**10. Jointly Governed Organizations**

Walhonding Valley Fire District (the District)

The District provides fire protection services for the Village. The District is directed by an appointed eleven-member Board of Trustees. One board member is appointed by each political subdivision within the District with one member at large appointed from one of the political subdivisions. Those subdivisions are the Bedford Township, Bethlehem Township, Clark Township, Jefferson Township, Monroe Township, Newcastle Township, Perry Township, Tiverton Township, Village of Nellie and Village of Warsaw. The District provides fire protection services to citizens within those areas. During 2012 and 2011, the Village paid no monies to the District.



# Dave Yost • Auditor of State

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

Village of Warsaw  
Coshocton County  
322 Mill Street  
P.O. Box 399  
Warsaw, Ohio 43844

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Warsaw, Coshocton County, Ohio, (the Village) as of and for the years ended December 31, 2012 and December 31, 2011, and the related notes to the financial statements and have issued our report thereon dated October 15, 2013 wherein we noted the Village followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. We qualified our opinion on the Special Revenue Fund combined fund types for the years ended December 31, 2012 and December 31, 2011 because we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts in the amounts of \$17,492 and \$19,902 in the Recreation Fund for the years ended December 31, 2012 and December 31, 2011, respectively, and for amounts recorded as charges for services in the amount of \$56,696 in the Park Fund for the year ended December 31, 2011. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2012-002, 2012-003 and 2012-004 described in the accompanying Schedule of Findings to be material weaknesses.

***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, opining 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 we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2012-001 through 2012-003.

***Entity's Response to Findings***

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.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 15, 2013

VILLAGE OF WARSAW  
COSHOCTON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011

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

1. Finding for Recovery Repaid Under Audit - Wage Ordinance Nos. 2010-05 and 2011-08

<i>Finding Number</i>	2012-001
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NONCOMPLIANCE

**Village of Warsaw's Ordinance Nos. 2010-05 and 2011-08, "An Ordinance Fixing the Number and Wages of Employees of the Village of Warsaw and Declaring an Emergency"**, provides in Section 10 under Compensation for Elected Officials, that council members will be compensated \$40 per month.

During 2012 and 2011, Village Councilmen Dan Secrest and Jerry Funk were compensated based on the number of meetings attended throughout each year rather than only \$40 per month as approved in Wage Ordinance Nos. 2010-05 and 2011-08.

During 2012 and 2011, Dan Secrest was compensated a combined \$1,560 (2012 W-2 \$720 or 18 meetings and 2011 W-2 \$840 or 21 meetings). Dan Secrest should have been compensated a maximum of \$960 for both years combined (\$480 a year or 12 months x \$40 per month). As a result, Dan Secrest was overcompensated \$600 (\$1,560 - \$960).

During 2012 and 2011, Jerry Funk was compensated a combined \$2,400 (2012 W-2 \$1,200 or 30 meetings and 2011 W-2 \$1,200 or 30 meetings). Jerry Funk should have been compensated a maximum of \$960 for both years combined (\$480 a year or 12 months x \$40 per month). As a result, Jerry Funk was overcompensated \$1,440 (\$2,400 - \$960).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Councilman Dan Secrest in the amount of \$600 and Councilman Jerry Funk in the amount of \$1,440 in favor of the Village of Warsaw's General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Therefore, because the Fiscal Officer, Cheryl Jones signed the warrants resulting in improper payments, she and the Cincinnati Insurance Company, her bonding company, will be jointly and severally liable for the overpayment to both Dan Seacrest and Jerry Funk in the amount of \$2,040.

The Village needs to compensate members of Council in accordance with the Village wage ordinances. If the Village intends to compensate Council per meeting, the Village wage ordinance will need modified accordingly. This will help ensure members of Council are not overcompensated.

Councilmen Dan Secrest and Jerry Funk made full restitution to the Village of Warsaw (see Village Receipt Nos. 468-2013 and 469-2013 dated August 23, 2013).

**Official's Response:** The Village of Warsaw concurs with the Auditor's finding. In drafting Ordinance 2010-05 and Ordinance 2011-06, it was never the intention of the Village to amend or supersede previous enactments by the Village Council which permitted Council Members to be compensated at the rate of \$40.00 per county-wide meeting attended on behalf of the Village of Warsaw. The \$40.00 per meeting pay rate was originally enacted on January 5, 1994 as Ordinance 1994-04 and re-enacted on December 19, 2001 as Ordinance 2001-04. Attendance at County-wide meetings (some examples include attendance at the Walhonding Valley Fire District, Coshocton County Regional Planning, and Coshocton County Emergency Management (911)) by a member of Council or the Mayor is important to keep the Village fully integrated into the larger Coshocton County community. Nevertheless, because of a scrivener's error, Ordinance 2010-05 and 2011-08 inadvertently amended the earlier ordinances and set the rate of pay for attendance at county-wide meetings at \$40.00 per month for any meetings attended. It was never the intention of the Council to change the compensation rate, but, nevertheless, the most recent Ordinance did alter the compensation rate.

Jerry Funk and Dan Secrest were inadvertently paid at the rate of \$40.00 per meeting attended rather than \$40.00 per month for meetings attended. This was certainly not a situation involving theft or intentional conversion of public funds. The overpayment was inadvertent and based upon a flawed belief that the 1994 and 2001 Pay Ordinances with respect to attendance at County-wide meetings had not been altered and remained, as always, \$40.00 per meeting. The overpayment was done unintentionally and with no malice and was a complete surprise to each member of the Village Council, the Mayor, Fiscal Officer, and even the Solicitor who drafted the 2010 and 2011 Pay Ordinances.

2. **Village Ordinance 2011-03, Section 4**

<i>Finding Number</i>	2012-002
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NONCOMPLIANCE AND MATERIAL WEAKNESS

**Section 4 of Village Ordinance 2011-03, "An Ordinance Authorizing the Issuance of \$11,530 of Bonds for the Purpose of Paying Part of the Cost of Acquiring a Mower and Related Equipment and Declaring an Emergency,"** states "that, "for the payment of the Bonds and the interest thereon, the full faith, credit, and revenue of the Municipality are hereby irrevocably pledged, and for the purpose of providing the necessary funds to pay the interest on the Bonds promptly when and as the same falls due, and also to provide a fund sufficient to discharge the Bonds at maturity or upon mandatory sinking fund redemption, there shall be and is hereby levied on all the taxable property in the Municipality, within applicable limitations, in addition to all other taxes, a direct tax annually during the period the Bonds are to run in an amount sufficient to provide funds to pay interest upon the Bonds as and when the same falls due and also to provide a fund for the discharge of the principal of the Bonds as it matures, which tax shall not be less than the interest and sinking fund tax required by Article XI I, Section II of the Constitution of Ohio; provided, that in each year to the extent that the Revenues or

moneys from other sources are available for the payment of debt service on the Bonds and are appropriated for such purpose, the amount of such property tax shall be reduced by the amount of the Revenues or such moneys so available and appropriated. Said property tax shall be and is hereby ordered computed, certified, levied and extended upon the tax duplicate and collected by the same officers, in the same manner and at the same time that taxes for general purposes for each of said years are certified, extended and collected. Said property tax shall be placed before and in preference to all other items and for the full amount thereof. The Revenues to be applied to debt service on the Bonds and the funds derived from said property tax hereby required shall be placed in a separate and distinct fund, which, together with all interest collected on the same, shall be irrevocably pledged for the payment of the interest on and the principal of the Bonds when and as the same shall fall due.”

During 2011, the Village obtained an \$11,530 bond through Ohio Heritage Bank for the purpose of purchasing a truck for the Village cemetery. Principal and interest on the bond, totaling \$3,063 and \$1,785, were paid from the Cemetery Special Revenue Fund in 2012 and 2011, respectively. However, the debt agreement required the Village to levy a tax specifically to retire the principal and interest obligations as well as create a Bond Retirement Fund to account for these levy proceeds and principal and interest payments. The Village has not adhered to the aforementioned debt covenants.

Going forward, the Village should seek a tax levy to pay for the remaining debt and establish the required Bond Retirement Fund. This will help ensure the Village complies with the debt covenants related to the bond issue.

**Official’s Response:** The Village concurs with the Auditor’s finding. The Village of Warsaw hired outside legal counsel to assist the Village with drafting and floating the bonds necessary to borrow funds to purchase a mower. The Village only ever intended to offer its general fund revenues as collateral to the bondholders for repayment of the bonds. The Village has more than sufficient general fund revenues to collateralize the bonds and has always operated in the black. Nevertheless, the strict language of the Ordinance and the related bond paperwork prepared by outside counsel does state that the Village will create a sinking fund and obtain an increase in property taxes to support the bonds. The bondholders have not expressed any concerns about the solvency of the Village of Warsaw and have made no demands for the creation of the sinking fund or the requirement to levy an additional property tax to support the bonds. It is important to remember that the total loan amount is only \$11,530.00. Going forward, the Village will make it even more clear to bond counsel that only the general fund revenues are being offered as collateral for any loans undertaken by the Village and that no language should be included which would require a sinking fund or that additional taxes be levied to support the issuance of bonds.

3. **Ohio Rev. Code Section 149.351**

<i>Finding Number</i>	2012-003
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NONCOMPLIANCE AND MATERIAL WEAKNESS

**Ohio Rev. Code Section 149.351** requires that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by the Ohio Rev. Code Section 149.38 through 149.42. The Village did not maintain documentation to support \$17,492 and \$19,902 in fees received in the Recreation Fund in 2012 and 2011, respectively. Additionally, the Village did not maintain documentation to support \$56,696 in fees received in the Park Fund in 2011. As a result, sufficient evidence did not exist to support this reported revenue on the financial statements.

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Village should review their public records policy and retention schedule. The Village should take appropriate measures to maintain all public records as required by law and follow their retention schedule for the disposition of public records. This will help ensure sufficient evidence exists to support all account balances reported in the financial statements.

**Official's Response:** The Village elected not to respond.

**4. Financial Reporting**

<i>Finding Number</i>	2012-004
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MATERIAL WEAKNESS

As a result of audit procedures performed, errors were noted in the Village's financial statements that required audit adjustments and reclassifications as follows:

- The Village obtained and expended \$11,530 in bond proceeds in 2011. The payment was made directly by the bank, and the activity was not reported by the Village. This is contrary to Ohio Rev. Code Section 5705.42, which requires the reporting of financial activity made on behalf of political subdivisions per a grant or loan agreement;
- The Village reported \$725 in vehicle registration municipal permissive tax and local government highway funding in the Water Operating Fund in 2012. This is contrary to Ohio Rev. Code Sections 5735.27 and 5735.23, which require these monies to be credited to the Street Fund to be used for the improvement and maintenance of roads;
- The Village reported \$29,136 and \$28,234 in Permanent Fund balances as a Restricted Fund balance instead of as a Nonexpendable Fund balance in 2012 and 2011, respectively;
- The Village reported \$145,079 and \$127,833 in General Fund balances as Unassigned instead of an Assigned Fund balance in 2012 and 2011, respectively. These amounts represented the portion of the ending balance to cover subsequent year appropriations that were not covered by subsequent year estimated revenue;
- The Village reported \$12,716 and \$8,034 in state property tax reimbursements as property and other local taxes instead of as intergovernmental revenue in the General Fund in 2012 and 2011, respectively.

As a result, the Village's financial statements are not accurately or materially stated.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures to identify and correct errors and omissions. The Village should also refer to the UAN Accounting Training manual for additional guidance in recording receipts and expenditures in the UAN System. In addition, the Village should review the financial statements and notes prior to submission for audit.

The Village's financial statements and computer system has been adjusted accordingly.

**Official's Response:** The Village elected not to respond.

VILLAGE OF WARSAW  
COSHOCKTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Accounting for Receipts – The Village posted various revenue misclassifications and reported an internal service fund as an agency fund.	No	Partially Corrected, See Finding Number 2012-001

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# Dave Yost • Auditor of State

**VILLAGE OF WARSAW**

**COSHOCTON 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 7, 2013**