



Dave Yost • Auditor of State

VILLAGE OF WREN
VAN WERT COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Wren
Van Wert County
Post Office Box 275
Wren, Ohio 45889

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Wren, Van Wert County, (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 support 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 thereof for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

Village's miscellaneous revenue are reported at \$ 6,570 for the year ended December 31, 2011, which is 9.6 percent of Special Revenue Fund receipts. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as miscellaneous. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion on Regulatory Basis of Accounting

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 Village of Wren, Van Wert County 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Village 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.

Also as discussed in Note 11 to the financial statements, the Village had a negative General Fund balance in the amount of \$1,169 and \$1,335 at December 31, 2012 and 2011 respectively due to the results of audit adjustment. Management's plans regarding those matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 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 "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 25, 2013

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**VILLAGE OF WREN
VAN WERT COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$10,430	\$2,268		\$12,698
Intergovernmental	18,447	12,263	\$322,501	353,211
Special Assessments		5,823		5,823
Charges for Services	1,508	41,000		42,508
Fines, Licenses and Permits	75			75
Earnings on Investments	17			17
Miscellaneous	15,410	37,229	8,080	60,719
Total Cash Receipts	<u>45,887</u>	<u>98,583</u>	<u>330,581</u>	<u>475,051</u>
Cash Disbursements:				
Current:				
Security of Persons and Property		61,738		61,738
Public Health Services	1,000			1,000
Transportation		2,494		2,494
General Government	41,721	4,800		46,521
Capital Outlay		38,698	322,501	361,199
Debt Service:				
Principal Retirement		8,667		8,667
Interest and Fiscal Charges		4,051		4,051
Total Cash Disbursements	<u>42,721</u>	<u>120,448</u>	<u>322,501</u>	<u>485,670</u>
Excess of Receipts Over (Under) Disbursements	<u>3,166</u>	<u>(21,865)</u>	<u>8,080</u>	<u>(10,619)</u>
Other Financing Receipts (Disbursements):				
Other Debt Proceeds		40,000		40,000
Other Financing Uses	(3,000)	(952)		(3,952)
Total Other Financing Receipts (Disbursements)	<u>(3,000)</u>	<u>39,048</u>		<u>36,048</u>
Net Change in Fund Cash Balances	166	17,183	8,080	25,429
Fund Cash Balances, January 1	<u>(1,335)</u>	<u>147,928</u>	<u>5,280</u>	<u>151,873</u>
Fund Cash Balances, December 31:				
Non-spendable				
Restricted		165,111	13,360	178,471
Committed				
Assigned				
Unassigned (Deficit)	(1,169)			(1,169)
Fund Cash Balances, December 31	<u><u>(\$1,169)</u></u>	<u><u>\$165,111</u></u>	<u><u>\$13,360</u></u>	<u><u>\$177,302</u></u>

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

**VILLAGE OF WREN
VAN WERT COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$7,531	\$2,261		\$9,792
Intergovernmental	23,800	13,896	\$5,000	42,696
Special Assessments	92	4,464		4,556
Charges for Services	873	41,012		41,885
Earnings on Investments	14			14
Miscellaneous	4,509	6,570	100	11,179
Total Cash Receipts	<u>36,819</u>	<u>68,203</u>	<u>5,100</u>	<u>110,122</u>
Cash Disbursements:				
Current:				
Security of Persons and Property		30,268		30,268
Public Health Services	1,100			1,100
Transportation		4,010	5,000	9,010
General Government	38,074	4,211		42,285
Capital Outlay		189		189
Debt Service:				
Principal Retirement		5,403	390	5,793
Interest and Fiscal Charges		3,737		3,737
Total Cash Disbursements	<u>39,174</u>	<u>47,818</u>	<u>5,390</u>	<u>92,382</u>
Excess of Receipts Over (Under) Disbursements	<u>(2,355)</u>	<u>20,385</u>	<u>(290)</u>	<u>17,740</u>
Other Financing Receipts (Disbursements):				
Other Financing Uses	<u>(2,000)</u>			<u>(2,000)</u>
Total Other Financing Receipts (Disbursements)	<u>(2,000)</u>			<u>(2,000)</u>
Net Change in Fund Cash Balances	(4,355)	20,385	(290)	15,740
Fund Cash Balances, January 1	<u>3,020</u>	<u>127,543</u>	<u>5,570</u>	<u>136,133</u>
Fund Cash Balances, December 31:				
Non-spendable				
Restricted		147,928	5,280	153,208
Committed				
Assigned				
Unassigned (Deficit)	<u>(1,335)</u>			<u>(1,335)</u>
Fund Cash Balances, December 31	<u><u>(\$1,335)</u></u>	<u><u>\$147,928</u></u>	<u><u>\$5,280</u></u>	<u><u>\$151,873</u></u>

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

**VILLAGE OF WREN
VAN WERT 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 Wren, Van Wert County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street light services, park operations, street maintenance, and fire/EMS services with volunteer departments.

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 and Investments

The Village values deposit accounts 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 accounts for and reports all financial resources not accounted for and reported in another fund.

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.

Fire and Emergency Medical Services Operating Fund – This fund receives grant monies and contract services monies to be used for fire and medical emergency services.

VILLAGE OF WREN
VAN WERT COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Other Capital Projects (State Route 49) Fund – This fund receives grant money for the purpose of constructing sidewalks and repairing State Route 49 through the Village of Wren.

E. Budgetary Process

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

1. Appropriations

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

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. Non-spendable

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

VILLAGE OF WREN
VAN WERT COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

2. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 did not have an effect on fund balances previously reported.

**VILLAGE OF WREN
VAN WERT COUNTY**

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

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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	\$177,302	\$151,873
Total deposits and investments	\$177,302	\$151,873

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

4. BUDGETARY ACTIVITY

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

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 57,476	\$ 45,887	(\$ 11,589)
Special Revenue	101,530	138,583	37,053
Capital Projects	476,916	330,581	(146,335)
Total	\$635,922	\$515,051	(\$120,871)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 52,470	\$ 45,721	\$ 6,749
Special Revenue	183,789	121,400	62,389
Capital Projects	476,900	322,501	154,399
Total	\$713,159	\$489,622	\$223,537

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 54,531	\$ 36,819	(\$ 17,712)
Special Revenue	83,740	68,203	(15,537)
Capital Projects	476,915	5,100	(471,815)
Total	\$615,186	\$110,122	(\$505,064)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 45,925	\$41,174	\$ 4,751
Special Revenue	161,815	47,818	113,997
Capital Projects	477,290	5,390	471,900
Total	\$685,030	\$94,382	\$590,648

**VILLAGE OF WREN
VAN WERT COUNTY**

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

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.

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

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

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

6. DEBT

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
2007 OPWC Loan - Jackson Street	\$ 25,629	0%
2002 Fire Truck BAN	56,041	5.82%
2012 Fire Truck Loan	37,363	2.90%
Total	\$119,033	

The Ohio Public Works Commission loan relates to the costs of the Jackson Street Project. The principal sum of \$32,699 is to be paid off in bi-annual installments of \$884 over a term of 20 years. The full faith, credit and revenue of the Village are pledged for the repayment of this debt.

The Bond Anticipation Notes were issued for the purchase of a Fire Truck on June 11, 2002. The Village plans to repay the notes through revenues generated from fire protection contracts. The full faith, credit and revenue of the Village are pledged for the repayment of this debt. The principal sum of \$90,000 is to be paid off in bi-annual installment payments over 15 years using a 20 year amortization process and involving a final principal balloon payment of \$35,682.

The Loan was issued for the purchase of a Fire Truck in March 2012. The Village plans to repay the notes through revenues generated from fire protection contracts. The full faith, credit and revenue of the Village are pledged for the repayment of this debt. The principal sum of \$40,000 is to be paid off in bi-annual installment payments over 7 years.

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

Year ending December 31:	OPWC Loan	Fire Truck BAN	Fire Truck Loan
2013	\$ 1,768	\$ 7,770	\$ 6,366
2014	1,767	7,770	6,370
2015	1,768	7,770	6,374
2016	1,767	7,770	6,378
2017	1,768	38,423	6,381
2018-2021	8,838		9,580
2022-2027	7,953		
Total	\$25,629	\$69,503	\$41,449

**VILLAGE OF WREN
VAN WERT COUNTY**

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

7. RETIREMENT SYSTEMS

The Village of Wren has three regular part-time employees that belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this 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%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

8. RISK MANAGEMENT

A. Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

B. Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Government Risk Management (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF WREN
VAN WERT COUNTY**

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

8. RISK MANAGEMENT (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	<u>\$6,413,188</u>	<u>\$ 7,172,519</u>

You can read the complete audited financial statements for The Ohio Plan Risk Management at the Plan's website, www.ohioplan.org.

9. FISCAL DISTRESS

As a result of audit adjustments, the Village had a negative General Fund balance in the amount of \$1,169 and \$1,335 at December 31, 2012 and 2011 respectively. While the Village is in a positive cash balance position, a large portion of the cash is in Special Revenue Funds. The use of these funds are limited either by statute or by levy ballot language and therefore, the Village is not permitted to use these monies to remedy the deficit balance in the General Fund.

The Village is studying various remedies as well as exploring areas in which expenditures can be reduced in the General Fund in order to alleviate the negative fund balance. In 2013, the Village did receive a donation from a private organization within the Village to alleviate the negative fund balance.

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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 Wren
Van Wert County
P O Box 275
Wren, Ohio 45889

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 Wren, Van Wert, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated September 25, 2013, wherein we noted the Village adopted the provisions of Government Accounting Standards Board Statement No. 54 *Fund Balance and Governmental Fund Type Definitions* for the year ended December 31, 2011. We also noted the Village presented negative General Fund balance for December 31, 2012 and 2011 along with followed financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. We did also qualify our opinion on miscellaneous revenue in the special revenue fund type for the year ended December 31, 2011 because we were unable to obtain sufficient appropriate audit evidence supporting the amounts reported as miscellaneous.

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 opinion 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001 and 2012-002 described in the accompanying schedule of findings to be material weaknesses.

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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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

September 25, 2013

**VILLAGE OF WREN
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Material Weakness – Miscellaneous Revenue Supporting Documentation

Adequate supporting documentation is a key control in the receipt process to determine proper recording and classification of receipts. The Village failed to maintain the supporting documentation or document the acceptance of the donations received in cash from outside organization for Village EMS and Fire activities in the Special Revenue funds in 2011 and 2012. The lack of documentation resulted in a qualification of the opinion in relation to the 2011 Special Revenue miscellaneous revenue and has resulted in the inability to determine the fair presentation of this revenue line item on the current financial statements.

The lack of adequate supporting documentation and acceptance of the donations by Village could result in funds being spent against the wishes of the donors. Also this could result in the Village participating in a commitment or activity for which they would not want to be associated and/or receive monies of which they were unaware of.

Officials' Response:

We are working to obtain the documentation and approve all donations in the minutes.

FINDING NUMBER 2012-002

Material Weakness – Financial Reporting

All receipts and disbursements should be posted in accordance with the UAN account codes recommended by the Auditor of State in the Village Handbook. Furthermore debt payments and proceeds should be properly recorded with respect to interest and principal. The following items were noted and resulted in adjustments to the financial statements for proper presentation:

- 2011 Personal Property Tax Replacement, Grant Revenue, Highway Distribution, Gasoline Excise Tax, Auto Registration, and Homestead and Rollback were posted as Taxes and Miscellaneous Revenue instead of Intergovernmental in the General and Special Revenue fund in the amount of \$2,160 and \$6,067;
- 2012 Personal Property Tax Replacement, Grant Revenue, Highway Distribution, Gasoline Excise Tax, Auto Registration, and Homestead and Rollback were posted as Taxes and Miscellaneous Revenue instead of Intergovernmental in the General and Special Revenue fund in the amount of \$2,502 and \$4,424;
- 2012 Miscellaneous receipts including insurance payments, donations, and refunds were posted as Charges for Services instead of Miscellaneous Revenue and Reductions of Expenditures in the amount of \$27,259 in the EMS/Fire Operating Fund
- 2011 Debt payments were posted as Transportation and Security of Persons and Property disbursements in the Special Revenue and Capital Projects funds in the amounts of \$8,256 and \$390 respectively, rather than as principal of \$4,519 and interest of \$3,737;
- 2012 Debt payments were posted as Security of Persons and Property disbursements in the Special Revenue fund in the amounts of \$7,769, rather than as principal of \$3,718 and interest of \$4,051;

FINDING NUMBER 2012-002
(Continued)

- 2012 Debt proceeds were posted in 2011 in the amount of \$28,565 were posted as Charges for Services and Security of Persons in Property in error rather than 2012 Proceeds of Debt and Capital Outlay of \$40,000; and
- 2010 Audit adjustment of \$2,324 to fund balance between the General and Special Revenue funds was not posted to the Village's financial records

The failure to properly post receipts and disbursements could result in a material misstatement of the reported revenue and expenditures line items or the fund balance being misstated. The accompanying financial statements and the client's ledgers have been adjusted.

The Village should utilize the UAN Chart of Accounts and the Village Handbook to provide guidance on the recording of revenue and disbursements to their respective funds and accounts. In addition, the Council should implement review and monitoring procedures to help assure that all revenue and disbursements are recorded when they occur, in the correct fund and accounts.

Officials' Response:

We are reviewing the UAN handbook to insure that our receipts and disbursements are properly coded.

**VILLAGE OF WREN
VAN WERT 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; <i>Explain</i>
2010-001	Noncompliance Ohio Rev. Code 5705.36 Appropriations in excess of Estimated Resources	Yes	
2010-002	Noncompliance Ohio Rev. Code 117.38 – Filing of Annual Financial Statements	Yes	
2010-003	Material Weakness – Misclassification of Receipts	No	See Finding 2012-002
2010-004	Material Weakness – Failure to Maintain Adequate Supporting Documentation	No	See Finding 2012-001
2010-005	Material Weakness – Financial Control Procedures and Documentation	Yes	
2010-006	Material Weakness – Lack of Oversight of Village Clerk	Yes	
2010-007	Material Weakness - Reconciliations	Yes	
2010-008	Material Weakness – USC 3402(a)(1) Federal Payroll Taxes	Yes	
2010-009	Material Weakness – Ohio Rev. Code 5747.06 (A) State Payroll Taxes	Yes	
2010-010	Material Weakness – Ohio Rev. Code 145.47 Employee Retirement Payments	Yes	

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Dave Yost • Auditor of State

VILLAGE OF WREN

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 7, 2013**