



Dave Yost • Auditor of State

VILLAGE OF ASHLEY
DELAWARE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Ashley
Delaware County
P.O. Box 361
Ashley, Ohio 43003

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Ashley, Delaware County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 audit opinions.

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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

The Village has overstated its combined cash fund balance by \$10,352 as of January 1, 2013, and December 31, 2014 and 2013. We were unable to obtain sufficient appropriate audit evidence to support to which funds to charge this disbursement.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Ashley, Delaware County as of December 31, 2014 and 2013, 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(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2016, 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.



Dave Yost
Auditor of State
Columbus, Ohio

May 2, 2016

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 102,955	\$ 130,603	\$ 233,558
Intergovernmental	35,359	81,626	116,985
Charges for Services	74,103	12,069	86,172
Fines, Licenses and Permits	8,057	410	8,467
Earnings on Investments	118	-	118
Miscellaneous	1,884	4,927	6,811
<i>Total Cash Receipts</i>	<u>222,476</u>	<u>229,635</u>	<u>452,111</u>
Cash Disbursements			
Current:			
Security of Persons and Property	19	127,049	127,068
Public Health Services	-	11,288	11,288
Leisure Time Activities	-	31,354	31,354
Basic Utility Services	72,652	-	72,652
Transportation	-	65,981	65,981
General Government	98,938	23,207	122,145
Debt Service:			
Principal Retirement	-	14,382	14,382
Interest and Fiscal Charges	-	664	664
<i>Total Cash Disbursements</i>	<u>171,609</u>	<u>273,925</u>	<u>445,534</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>50,867</u>	<u>(44,290)</u>	<u>6,577</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	63,000	63,000
Transfers Out	(63,000)	-	(63,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(63,000)</u>	<u>63,000</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(12,133)	18,710	6,577
<i>Fund Cash Balances, January 1</i>	<u>64,124</u>	<u>93,993</u>	<u>158,117</u>
Fund Cash Balances, December 31			
Restricted	-	112,703	112,703
Assigned	51,991	-	51,991
<i>Fund Cash Balances, December 31</i>	<u>\$ 51,991</u>	<u>\$ 112,703</u>	<u>\$ 164,694</u>

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

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 421,913	\$ -	\$ 421,913
Miscellaneous	3,039	-	3,039
<i>Total Operating Cash Receipts</i>	<u>424,952</u>	<u>-</u>	<u>424,952</u>
Operating Cash Disbursements			
Personal Services	45,730	-	45,730
Employee Fringe Benefits	21,389	-	21,389
Contractual Services	303,076	25,145	328,221
Supplies and Materials	24,607	-	24,607
Other	1,800	-	1,800
<i>Total Operating Cash Disbursements</i>	<u>396,602</u>	<u>25,145</u>	<u>421,747</u>
<i>Operating Income (Loss)</i>	<u>28,350</u>	<u>(25,145)</u>	<u>3,205</u>
Non-Operating Receipts (Disbursements)			
Property and Other Local Taxes	-	21,549	21,549
Intergovernmental	-	3,596	3,596
Special Assessments	45,055	-	45,055
Principal Retirement	(62,772)	-	(62,772)
Interest and Other Fiscal Charges	(5,305)	-	(5,305)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(23,022)</u>	<u>25,145</u>	<u>2,123</u>
Transfers In	56,160	-	56,160
Transfers Out	(56,160)	-	(56,160)
<i>Net Change in Fund Cash Balances</i>	5,328	-	5,328
<i>Fund Cash Balances, January 1</i>	<u>204,489</u>	<u>-</u>	<u>204,489</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 209,817</u>	<u>\$ -</u>	<u>\$ 209,817</u>

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

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 103,794	\$ 131,186	\$ 234,980
Intergovernmental	35,346	78,033	113,379
Charges for Services	73,684	11,171	84,855
Fines, Licenses and Permits	9,334	731	10,065
Earnings on Investments	144	-	144
Miscellaneous	2,173	3,445	5,618
<i>Total Cash Receipts</i>	<u>224,475</u>	<u>224,566</u>	<u>449,041</u>
Cash Disbursements			
Current:			
Security of Persons and Property	-	165,126	165,126
Public Health Services	-	11,139	11,139
Leisure Time Activities	-	34,770	34,770
Basic Utility Services	72,652	-	72,652
Transportation	-	78,262	78,262
General Government	102,204	24,307	126,511
Debt Service:			
Principal Retirement	-	10,871	10,871
Interest and Fiscal Charges	-	637	637
<i>Total Cash Disbursements</i>	<u>174,856</u>	<u>325,112</u>	<u>499,968</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>49,619</u>	<u>(100,546)</u>	<u>(50,927)</u>
Other Financing Receipts (Disbursements)			
Other Debt Proceeds	-	34,500	34,500
Transfers In	-	65,000	65,000
Transfers Out	(65,000)	-	(65,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(65,000)</u>	<u>99,500</u>	<u>34,500</u>
<i>Net Change in Fund Cash Balances</i>	(15,381)	(1,046)	(16,427)
<i>Fund Cash Balances, January 1</i>	<u>79,505</u>	<u>95,039</u>	<u>174,544</u>
Fund Cash Balances, December 31			
Restricted	-	93,993	93,993
Assigned	59,471	-	59,471
Unassigned (Deficit)	4,653	-	4,653
<i>Fund Cash Balances, December 31</i>	<u>\$ 64,124</u>	<u>\$ 93,993</u>	<u>\$ 158,117</u>

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

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 421,901	\$ -	\$ 421,901
Miscellaneous	2,317	-	2,317
<i>Total Operating Cash Receipts</i>	<u>424,218</u>	<u>-</u>	<u>424,218</u>
Operating Cash Disbursements			
Personal Services	42,812	-	42,812
Employee Fringe Benefits	24,481	-	24,481
Contractual Services	309,951	25,031	334,982
Supplies and Materials	22,038	-	22,038
Other	3,100	-	3,100
<i>Total Operating Cash Disbursements</i>	<u>402,382</u>	<u>25,031</u>	<u>427,413</u>
<i>Operating Income (Loss)</i>	<u>21,836</u>	<u>(25,031)</u>	<u>(3,195)</u>
Non-Operating Receipts (Disbursements)			
Property and Other Local Taxes	-	21,413	21,413
Intergovernmental	-	3,618	3,618
Special Assessments	43,475	-	43,475
Other Debt Proceeds	25,000	-	25,000
Principal Retirement	(61,382)	-	(61,382)
Interest and Other Fiscal Charges	(6,442)	-	(6,442)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>651</u>	<u>25,031</u>	<u>25,682</u>
Transfers In	86,898	-	86,898
Transfers Out	(86,898)	-	(86,898)
<i>Net Change in Fund Cash Balances</i>	22,487	-	22,487
<i>Fund Cash Balances, January 1</i>	<u>182,002</u>	<u>-</u>	<u>182,002</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 204,489</u>	<u>\$ -</u>	<u>\$ 204,489</u>

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

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 Ashley, Delaware County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer and trash utilities, street maintenance and repair, park operations, and police services. The Village contracts with Elm Valley Joint Fire District to receive fire protection services.

The Village participates in a jointly governed organization, a public entity risk pool and is associated with a related organization. Notes 7, 8, and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Plan Risk Management, Inc.

The plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage to its members.

Jointly Governed Organizations:

Elm Valley Joint Fire District

The District provides fire protection and rescue services within the Village.

Related Organization:

Ashley Union Cemetery

The Village appoints a Cemetery Board Member and serves as fiscal agent to the Cemetery.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village's accounting basis includes deposits as assets. The Village has no investments.

VILLAGE OF ASHLEY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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.

Police Levy Fund – This fund receives levied monies and is used to provide police protection for the Village.

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

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

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for property taxes collected and disbursed to the Wornstaff Memorial Library.

VILLAGE OF ASHLEY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 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 2014 and 2013 budgetary activity appears in Note 3.

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.

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.

VILLAGE OF ASHLEY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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.

2. EQUITY IN POOLED DEPOSITS

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

	2014	2013
Demand deposits	\$374,511	\$362,606

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

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$214,170	\$222,476	\$8,306
Special Revenue	289,467	292,635	3,168
Enterprise	509,677	526,167	16,490
Fiduciary	24,000	25,145	1,145
Total	\$1,037,314	\$1,066,423	\$29,109

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$273,221	\$234,609	\$38,612
Special Revenue	328,544	275,038	53,506
Enterprise	645,157	522,789	122,368
Fiduciary	25,215	25,145	70
Total	\$1,272,137	\$1,057,581	\$214,556

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$221,369	\$224,475	\$3,106
Special Revenue	299,413	324,066	24,653
Enterprise	510,683	579,591	68,908
Fiduciary	23,989	25,031	1,042
Total	\$1,055,454	\$1,153,163	\$97,709

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$278,065	\$240,276	\$37,789
Special Revenue	343,075	327,164	15,911
Enterprise	635,597	562,677	72,920
Fiduciary	25,124	25,031	93
Total	\$1,281,861	\$1,155,148	\$126,713

Contrary to Ohio law, the Village did not file an annual appropriation measure with the County Budget Commission for 2014 or 2013.

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. 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.

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

5. DEBT

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Mortgage Sewer Revenue Bonds	\$64,000	5.00%
OPWC Loan (CQ27D)	\$24,000	0.00%
OPWC Loan (CQ32A)	\$58,045	0.00%
OPWC Loan (CQ20K)	\$366,834	0.00%
DCB 2013 Water Tower Project	\$15,548	2.99%
DCB 2013 Dodge Charger	\$7,837	2.99%
DCB 2012 Ford Truck	\$7,409	2.99%
Total	\$543,673	

In 1976, the Village issued Sewer System First Mortgage Revenue Bonds for sewer system construction, due in annual installments of varying amounts through 2016 bearing an interest rate of 5%. The Village's sewer charges are to be set to cover repayment of the bonds.

Section 8 of the Sewer System First Mortgage Revenue Bonds states the Village is to maintain a Sewer Bond and Interest Sinking Fund to account for a monthly allocation for the next scheduled interest and debt payment. At December 31, 2014 this Sinking Fund had a balance of \$705 to be used towards the \$34,200 payment due in May of 2015. Rather than making monthly deposits into the Sinking Fund, the Village completes an annual transfer to the Sinking Fund to cover the annual payment.

Section 8 of the Sewer System First Mortgage Revenue Bonds also states the Village is to maintain a Reserve Account for the purpose of paying the cost of repairing or replacing any damage to the Utility and when necessary for the purpose of making payments of principal and interest on the Revenue Bonds if the amount in the Sinking Fund is not sufficient to meet such payments. The Village is to set aside \$290 monthly until the accumulated fund balance of \$34,800. At December 31, 2014 the fund balance of the Reserve Fund was \$13,224.

The Ohio Public Works Commission (OPWC) loans were issued for a wastewater treatment plant upgrade, a storm sewer improvement, and a sewer collection system. Payments are due semiannually each year. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. DEBT (Continued)

On October 4, 2013, the Village entered into a note agreement with Delaware County Bank and Trust Company (DCB) for \$25,000 with an interest rate of 2.99% for the purpose of refurbishing the interior and exterior walls of the Village water tower. Payments are due in monthly installments of \$727 for 36 months ending on October 5, 2016.

On June 24, 2013, the Village entered into a note agreement with DCB for \$14,500 with an interest rate of 2.99% for the purpose of purchasing a 2013 Dodge Charger to be used by the Village's police department. Payments are due in monthly installments of \$422 for 36 months ending on July 5, 2016.

On January 16, 2013, the Village entered into a note agreement with DCB for \$20,000 with an interest rate of 2.99% for the purpose of purchasing a 2012 Ford Truck to be used by the Village's street maintenance crew. Payments are due in monthly installments of \$582 for 36 months ending on January 5, 2016.

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

Year ending December 31:	Mortgage		DCB Notes	Total
	Sewer Revenue Bond	OPWC Loans		
2015	\$34,200	\$27,648	\$20,775	\$82,623
2016	34,650	27,648	10,803	\$73,101
2017	0	27,648	0	\$27,648
2018	0	27,648	0	\$27,648
2019	0	27,648	0	\$27,648
2020-2024	0	93,527	0	\$93,527
2025-2029	0	74,863	0	\$74,863
2030-2034	0	74,863	0	\$74,863
2035-2039	0	67,386	0	\$67,386
Total	\$68,850	\$448,879	\$31,578	\$549,307

6. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 2014 and 2013, OP&F participants contributed 10% of their wages for January 1, 2013 – June 30, 2013; 10.75% of their wages for July 1, 2013 – June 30, 2014; and 11.5% of their wages for July 1, 2014 – December 31, 2014. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2013, 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, 2014.

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (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 (and through October 2014) 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 774 and 783 members as of December 31, 2013 and 2014 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.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2014 and 2013

	2014	2013
Assets	\$14,830,185	\$13,774,304
Liabilities	(8,942,504)	(7,968,395)
Members' Equity	\$5,887,681	\$5,805,909

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

8. JOINTLY GOVERNED ORGANIZATIONS

The Village of Ashley owns real property for fire protection, formerly used by the Ashley Volunteer Fire Department. The Village leases the property for \$1 per year for the indefinite lease term to the Elm Valley Joint Fire District, which is jointly governed by the Village. The Fire District is governed by one trustee each from Oxford Township, Peru Township, Westfield Township and the Village of Ashley.

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

9. RELATED ORGANIZATIONS

The Ashley Union Cemetery is considered a related organization of the Village. The Cemetery is considered a related organization because the Village appoints a Cemetery Board Member and serves as fiscal agent to the Cemetery. The financial statements of the Cemetery can be obtained by writing Mary Ogg, Clerk at 8191 Ashley Road, Ashley, Ohio 43003.

10. SUBSEQUENT EVENTS

The Village issued debt for the purpose of Water Pollution Control. The Village entered into a debt agreement with the Ohio Water and Development (OWDA) dated March 26, 2015 in the amount of \$40,815.

The Village issued debt for the purpose of Water Pollution Control. The Village entered into a debt agreement with the Ohio Water and Development (OWDA) dated September 24, 2015 in the amount of \$138,700.

The Village issued debt for the purchase of a new Ford truck. The promissory note for the purchase was with the Delaware County Bank and Trust Company dated February 26, 2016 in the amount of \$12,000. The term of this note is for 36 months with a monthly payment of \$349.63 and will commence on April 11, 2016.

The Village Council passed via ordinance a 1% income tax to become effective January 1, 2016. This income tax is levied on all persons residing in the Village or earning or receiving income in the Village. The income tax's purpose is to provide funds for general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities, and capital improvements.

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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 Ashley
Delaware County
P.O. Box 361
Ashley, Ohio 43003

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 Ashley, Delaware County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated May 2, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting which funds to charge the Village's overstatement of its combined cash fund balance as of January 1, 2013, and December 31, 2014 and 2013.

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 and significant deficiencies.

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 2014-001 and 2014-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-003 and 2014-004 described in the accompanying schedule of findings to be significant deficiencies.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-005.

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.

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

May 2, 2016

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Cash Reconciliation – Material Weakness

Strong monitoring practices of the Village financial activities are the responsibility of the Fiscal Officer and Council members and are essential to help ensure proper financial reporting. A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time of reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances. Additionally, the Fiscal Officer and Council members should review the bank to book reconciliation and monthly financial reports of financial activity of the Village including budgeted versus actual receipts and expenditures. Evidence of these reviews should be documented.

The Village did perform bank to book reconciliations throughout 2014 and 2013; however, reconciliations were not performed timely or on a monthly basis and they were not reviewed and approved by Council. Additionally, the reconciliations did not agree with the Uniform Accounting Network (UAN) system. As of December 31, 2014 and December 31, 2013 the Village had an unreconciled difference of \$10,352. This is the same unreconciled balance noted in the prior audit. The Village was unable to provide sufficient appropriate audit evidence to support which funds to charge this overstatement of its combined cash fund balance as of January 1, 2013, and December 31, 2014 and 2013.

As a result, inaccurate financial reports are being provided to the Village Council to aid in management decisions, which could lead to errors or irregularities occurring which could go undetected by management.

We recommend the Village Fiscal Officer reconcile all bank accounts to the books on a timely basis. In this process, all reconciling items or errors should be identified and included on the face of the reconciliation. All unreconciled balances should be researched in order to find the known source of the error. All errors should be corrected on the Village's ledgers following the completion of the reconciliation. As an additional monitoring control, we recommend the monthly bank reconciliation be reviewed and approved by Council and evidence of these reviews and approvals be documented.

FINDING NUMBER 2014-002

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to help ensure the information provided to the readers of the financial statements is complete and accurate. GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

VILLAGE OF ASHLEY
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)

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

FINDING NUMBER 2014-002 (Continued)

Financial Reporting – Material Weakness (Continued)

The following entries were material to the Village's 2013 financial statements and were adjusted to the financial statements and the Village's accounting records:

- Reclassification of \$25,000 of debt proceeds from Miscellaneous Revenue to Other Debt Proceeds in the Enterprise Fund.
- Adjustment of \$34,500 to record Other Debt Proceeds and related expenditures in the Special Revenue Funds for debt issued for the purchase police and street maintenance vehicles.
- Reclassification of \$2,081 of Transportation expenses and \$1,267 of Leisure Time Activities expenses to Principal and Interest expense in the amount of \$3,185 and \$163, respectively, in the Special Revenue Fund.
- Adjustment of \$1,500 reducing debt payments in the Enterprise Fund and increasing debt payments in the Special Revenue Fund.
- Reclassification of \$59,471 of Unassigned General Fund balance to Assigned due to subsequent appropriations exceeding estimated receipts.
- Reclassification of rollback and homestead receipts of \$17,284, \$21,483, and \$3,618, respectively from Property Tax to Intergovernmental in the General Fund, Special Revenue Funds, and Agency Fund.

The following entries were material to the Village's 2014 financial statements and were adjusted to the financial statements and the Village's accounting records:

- Reclassification of \$3,000 of Transportation expense to Principal Retirement in the Special Revenue Fund.
- Reclassification of \$51,991 of Unassigned General Fund balance to Assigned due to subsequent appropriations exceeding estimated receipts.
- Reclassification of rollback and homestead receipts of \$17,180, \$21,358, and \$3,596, respectively from Property Tax to Intergovernmental in the General Fund, Special Revenue Funds, and Agency Fund.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2014-002 (Continued)

Financial Reporting – Material Weakness (Continued)

We recommend the Village develop policies and procedures to enhance its controls over recording of financial reporting to help ensure the information accurately reflects the activity of the Village thereby increasing reliability of the financial data throughout the year. We also recommend the Village implement additional procedures over the completeness and accuracy of financial information reported within the Village's financial report. Such procedures may include review of the financial statements and related components by a member of management with analytical comparisons of the current and prior year annual reports for obvious errors or omissions. This review should include consideration over presentation in accordance with GASB Statement No. 54.

FINDING NUMBER 2014-003

Utility Adjustment Controls – Significant Deficiency

Adjustments made to utility bills are often a source of potential fraud. To mitigate the risks associated with utility bill adjustments, the Village should have strong internal controls and approved policies in place.

Audit procedures identified adjustments to utility bills totaling \$172,399 in 2014 and \$41,617 in 2013. These adjustments were made without management approval or oversight. There was no evidence that management performed any review or reconciliation over these adjustments. Audit procedures were performed to substantively assure charges for services are materially correct as reported on the 2014 and 2013 financial statements.

Failure to have appropriate controls and policies inhibits management's ability to help ensure monies due and collected are receipted and accurately reflected in the financial records of the Village. Without proper controls in place, management may not be able to timely identify theft or misappropriation of receipts.

We recommend Council adopt policies and implement monitoring controls to oversee any adjustment made to the Village utility billings. To help ensure policies are adhered to, we also recommend management perform and document periodic reviews of adjustments to utility billings.

FINDING NUMBER 2014-004

Monitoring of Financial Reports – Significant Deficiency

During the audit period, financial records were not timely updated by the Fiscal Officer. Additionally, evidence of proper monitoring by Council was not evident, nor maintained to determine the required records were being produced, maintained or timely updated. These records included monthly bank reconciliations and budget reports.

VILLAGE OF ASHLEY
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)

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

FINDING NUMBER 2014-004 (Continued)

Monitoring of Financial Reports – Significant Deficiency (Continued)

It is Council's responsibility to monitor monthly reports and verify related documents agree. For internal controls to function properly, Council should closely monitor financial activity at each regular monthly meeting, at a minimum. Council should require bank reconciliations and detailed budget and actual receipt and disbursement reports be provided for their inspection. Monthly bank reconciliations should be reviewed to help ensure bank balances agree with monthly fund balances. Reconciling items and or variances should be reviewed to determine there are no unexplained items, and/or that the explanations are factual. The detailed budget versus actual reports should be reviewed to determine that receipts agree with estimates and expenditures are within appropriations and if necessary, appropriate budget modifications be updated.

For adequate segregation of duties and monitoring of accounting activity, it is essential the accounting system that is primarily operated by a single individual (Fiscal Officer), be monitored by Council members.

In order to make better informed decisions, Council should carefully review the following information and make appropriate inquiries to help ensure the integrity of accounting information:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- When cash is available, is Council maximizing its return on invested cash balances?
- Are Council records, reports and cash reconciliations maintained and presented in a timely manner that provide accurate and meaningful information to Council?
- Are errors and irregularities examined timely and are those responsible for providing accounting information being held accountable for providing accurate and complete financial information?

To improve the controls over financial activity, Council should document receipt and review of all of financial reports in the minutes. Council's review of financial reports should including monthly bank reconciliations and budgetary information. Also, a designated Council member should sign or initial and date these reports as evidence of review.

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2014-005

Appropriations Exceeding Estimated Resources - Noncompliance

Ohio Rev. Code § 5705.39 states that total appropriations from each fund shall not exceed 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. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forth with upon receiving from the appropriating authority a certified copy of the appropriation measure.

The Village did not file an annual appropriation measure with the County Budget Commission for 2013 or 2014. Failure to submit approved appropriation measures to the County Budget Commission resulted in no certification being provided by the County and ineffective appropriation measures.

Additionally, the following funds had appropriations in excess of estimated resources at year end, as recorded in the Village accounting system.

At December 31, 2014, per Accounting System

Fund	Estimated Resources	Final Appropriation	Variance
2031 - Cemetery	10,871	11,519	(648)
2041 - Parks and Recreation	40,580	41,060	(480)
5101 - Water Operating	324,406	339,560	(15,154)
9901 - Library	24,000	25,215	(1,215)

At December 31, 2013, per Accounting System

Fund	Estimated Resources	Final Appropriation	Variance
2031 - Cemetery	10,870	11,384	(514)
5201 - Sewer Operating	177,896	181,786	(3,890)
5701 - Water Main Assessment	36,025	40,100	(4,075)
9901 - Library	23,989	25,124	(1,135)

Appropriations in excess of estimated resources could result in the Village expending more money than available in the fund and could result in negative fund balances.

We recommend the Village submit all Council approved appropriation measures to the County Budget Commission for certification. We further recommend the Village ensure that estimated resources are sufficient to cover appropriations at the time of certification or amendment.

The Village did not respond to findings reported above.

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Material Weakness – Cash Reconciliation	No	Reissued as Finding 2014-001
2012-002	Material Weakness – Financial Statement Presentation	No	Reissued as Finding 2014-002
2012-003	Material Weakness/Material Noncompliance – Debt Covenant	No	Partially Corrected. Reissued in the Management Letter.



Dave Yost • Auditor of State

VILLAGE OF ASHLEY

DELAWARE 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
JUNE 21, 2016