

**VILLAGE OF WILLSHIRE
VAN WERT COUNTY
Regular Audit
For the Years Ended December 31, 2012 and 2011**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of Willshire
323 State Street
P.O. Box 110
Willshire, Ohio 45898

We have reviewed the *Independent Auditor's Report* of the Village of Willshire, Van Wert County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Willshire is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 11, 2013

This page intentionally left blank.

VILLAGE OF WILLSHIRE
VAN WERT COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2012.....	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Proprietary Fund Types - For the Year Ended December 31, 2012.....	4
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2011.....	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Proprietary Fund Types - For the Year Ended December 31, 2011.....	6
Notes to the Financial Statements.....	7
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	14
Schedule of Prior Audit Findings	16

This page intentionally left blank.

Perry & Associates

Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT AUDITOR'S REPORT

June 25, 2013

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Village of Willshire**, 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 fair 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 opinion.

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

As described in Note 1B 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles (Continued)

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B 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 years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Willshire, 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 1B.

Emphasis of Matter

As discussed in Note 1F 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.

Other Reporting Required by Government Auditing Standards

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF WILLSHIRE
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>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 28,515	\$ 8,138	\$ -	\$ 36,653
Municipal Income Tax	48,163	-	-	48,163
Intergovernmental	26,092	31,610	-	57,702
Charges for Services	-	30,750	-	30,750
Fines, Licenses and Permits	1,326	-	-	1,326
Earnings on Investments	147	93	-	240
Miscellaneous	4,240	8,200	-	12,440
Total Cash Receipts	<u>108,483</u>	<u>78,791</u>	<u>-</u>	<u>187,274</u>
Cash Disbursements				
Current:				
Security of Persons and Property	33,309	27,357	-	60,666
Public Health Services	2,699	7,897	-	10,596
Leisure Time Activities	8,280	1,500	-	9,780
Transportation	-	17,101	-	17,101
General Government	73,258	335	-	73,593
Capital Outlay	-	26,545	-	26,545
Total Cash Disbursements	<u>117,546</u>	<u>80,735</u>	<u>-</u>	<u>198,281</u>
Net Change in Fund Cash Balances	<u>(9,063)</u>	<u>(1,944)</u>	<u>-</u>	<u>(11,007)</u>
<i>Fund Cash Balance, January 1</i>	<u>108,765</u>	<u>201,085</u>	<u>1,001</u>	<u>310,851</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	1,001	1,001
Restricted	-	199,141	-	199,141
Unassigned	99,702	-	-	99,702
<i>Fund Cash Balance, December 31</i>	<u>\$ 99,702</u>	<u>\$ 199,141</u>	<u>\$ 1,001</u>	<u>\$ 299,844</u>

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

**VILLAGE OF WILLSHIRE
VAN WERT COUNTY**

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

	Enterprise	Totals (Memorandum Only)
Operating Cash Receipts		
Charges for Services	\$ 348,979	\$ 348,979
Total Operating Cash Receipts	348,979	348,979
Operating Cash Disbursements		
Personal Services	45,991	45,991
Employee Fringe Benefits	33,709	33,709
Contractual Services	57,185	57,185
Supplies and Materials	34,398	34,398
Other	200	200
Total Operating Cash Disbursements	171,483	171,483
Operating Income	177,496	177,496
Non-Operating Receipts (Disbursements)		
Miscellaneous Receipts	4,946	4,946
Capital Outlay	(14,346)	(14,346)
Principal Retirement	(60,283)	(60,283)
Interest and Other Fiscal Charges	(15,453)	(15,453)
Total Non-Operating Receipts (Disbursements)	(85,136)	(85,136)
Net Change in Fund Cash Balances	92,360	92,360
Fund Cash Balance, January 1	16,299	16,299
Fund Cash Balance, December 31	\$ 108,659	\$ 108,659

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

**VILLAGE OF WILLSHIRE
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>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 28,384	\$ 8,193	\$ -	\$ 36,577
Municipal Income Tax	56,729	-	-	56,729
Intergovernmental	32,688	33,450	-	66,138
Charges for Services	-	29,170	-	29,170
Fines, Licenses and Permits	2,317	-	-	2,317
Earnings on Investments	1,913	242	-	2,155
Miscellaneous	1,470	3,887	-	5,357
Total Cash Receipts	<u>123,501</u>	<u>74,942</u>	<u>-</u>	<u>198,443</u>
Cash Disbursements				
Current:				
Security of Persons and Property	22,014	27,335	-	49,349
Public Health Services	2,739	6,121	-	8,860
Leisure Time Activities	-	1,400	-	1,400
Transportation	-	12,459	-	12,459
General Government	69,874	345	-	70,219
Capital Outlay	-	22,858	-	22,858
Total Cash Disbursements	<u>94,627</u>	<u>70,518</u>	<u>-</u>	<u>165,145</u>
Excess of Receipts Over Disbursements	<u>28,874</u>	<u>4,424</u>	<u>-</u>	<u>33,298</u>
Other Financing Receipts				
Sale of Capital Assets	-	12,500	-	12,500
Total Other Financing Receipts	<u>-</u>	<u>12,500</u>	<u>-</u>	<u>12,500</u>
Net Change in Fund Cash Balances	28,874	16,924	-	45,798
<i>Fund Cash Balance, January 1</i>	<u>79,891</u>	<u>184,161</u>	<u>1,001</u>	<u>265,053</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	1,001	1,001
Restricted	-	201,085	-	201,085
Unassigned	108,765	-	-	108,765
<i>Fund Cash Balance, December 31</i>	<u>\$ 108,765</u>	<u>\$ 201,085</u>	<u>\$ 1,001</u>	<u>\$ 310,851</u>

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

**VILLAGE OF WILLSHIRE
VAN WERT COUNTY**

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

	Enterprise	Totals (Memorandum Only)
Operating Cash Receipts		
Charges for Services	\$ 343,681	\$ 343,681
Total Operating Cash Receipts	343,681	343,681
Operating Cash Disbursements		
Personal Services	45,491	45,491
Employee Fringe Benefits	30,387	30,387
Contractual Services	78,366	78,366
Supplies and Materials	37,912	37,912
Other	300	300
Total Operating Cash Disbursements	192,456	192,456
Operating Income	151,225	151,225
Non-Operating Receipts (Disbursements)		
Miscellaneous Receipts	8,682	8,682
Capital Outlay	(8,595)	(8,595)
Principal Retirement	(63,270)	(63,270)
Interest and Other Fiscal Charges	(16,606)	(16,606)
Total Non-Operating Receipts (Disbursements)	(79,789)	(79,789)
Net Change in Fund Cash Balances	71,436	71,436
Fund Cash Balance, January 1	(55,137)	(55,137)
Fund Cash Balance, December 31	\$ 16,299	\$ 16,299

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

**VILLAGE OF WILLSHIRE
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 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 Willshire, Van Wert County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street maintenance and repair, water and sewer utilities, park operations, and fire protection services. The Village contracts with the Van Wert County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

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

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

The Village values certificates of deposit at cost.

D. Fund Accounting

The Village uses fund accounting to segregate deposits 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 recorded 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.

**VILLAGE OF WILLSHIRE
VAN WERT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. 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 Bequest 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 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.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and 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.

VILLAGE OF WILLSHIRE
VAN WERT COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 3.

F. Fund Balance

In 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which had no effect on fund balances. 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.

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.

**VILLAGE OF WILLSHIRE
VAN WERT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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. The carrying amount of deposits at December 31 was as follows:

	2012	2011
Demand Deposits	\$ 384,383	\$ 303,150
Certificates of Deposit	24,120	24,000
Total	\$ 408,503	\$ 327,150

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

3. BUDGETARY ACTIVITY

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

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 102,020	\$ 108,483	\$ 6,463
Special Revenue	67,500	78,791	11,291
Enterprise	358,315	353,925	(4,390)
Total	\$ 527,835	\$ 541,199	\$ 13,364

**VILLAGE OF WILLSHIRE
VAN WERT COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 134,470	\$ 117,546	\$ 16,924
Special Revenue	104,630	80,735	23,895
Enterprise	345,815	261,565	84,250
Total	<u>\$ 584,915</u>	<u>\$ 459,846</u>	<u>\$ 125,069</u>

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 99,192	\$ 123,501	\$ 24,309
Special Revenue	70,765	87,442	16,677
Enterprise	311,493	352,363	40,870
Total	<u>\$ 481,450</u>	<u>\$ 563,306</u>	<u>\$ 81,856</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 118,165	\$ 94,627	\$ 23,538
Special Revenue	101,346	70,518	30,828
Enterprise	298,740	280,927	17,813
Total	<u>\$ 518,251</u>	<u>\$ 446,072</u>	<u>\$ 72,179</u>

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.

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

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

**VILLAGE OF WILLSHIRE
VAN WERT COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan 2920	\$ 169,856	2%
Ohio Water Development Authority Loan 2921	121,879	2%
Ohio Public Works Commission	77,233	0%
USDA/RD Loan	180,200	4.75%
Total	\$ 549,168	

The Ohio Water Development Authority (OWDA) loan 2920 is for the updating of the Village's sewer facilities. The loan was authorized May 25, 1990, with the first payment due June 1, 1992 and payable in semi-annual installments of \$19,932 which includes interest, with revenues generated from sewer billings over a period of 25 years. The Village does not have any plans to retire this debt at a date earlier than its scheduled maturity date. The prior audit report had an incorrect balance at December 31, 2010. The actual balance at December 31, 2010 was \$240,682.

The Ohio Water Development Authority (OWDA) loan 2921 is for construction of a new water plant facility. The loan was authorized January 29, 1998, with the first payment due June 1, 1999 and payable in semi-annual installments of \$5,987 which includes interest, with revenues generated from water billings over a period of 25 years. The Village does not have any plans to retire this debt at a date earlier than its scheduled maturity date. The prior audit report had an incorrect balance at December 31, 2010. The actual balance at December 31, 2010 was \$140,393.

The Ohio Public Works Commission loan is for construction of a new water plant facility. The loan was authorized July 1, 1996, with the first payment due July 1, 1999 and payable in semi-annual installments of \$5,951, with revenues generated from water billings over a period of 20 years. The Village does not have any plans to retire this debt at a date earlier than its scheduled maturity date.

The USDA/RD loan is for construction of a new water plant facility and is considered as mortgage revenue bonds. The loan was authorized March 8, 1999, with the first payment due March 1, 2000 and payable in annual installments with revenues generated from water billings over a period of 40 years. The Village does not have any plans to retire this debt at a date earlier than its scheduled maturity date. The prior audit report had an incorrect balance at December 31, 2010. The actual balance at December 31, 2010 was \$186,600.

The Village paid off the First Financial Bank loan in 2011. The prior audit report had an incorrect balance at December 31, 2010. The actual balance at December 31, 2010 was \$4,049.

Amortization of the Village's debt principal and interest is scheduled as follows:

**VILLAGE OF WILLSHIRE
VAN WERT COUNTY**

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

5. DEBT (Continued)

Year ending December 31:	OWDA Loan 2920	OWDA Loan 2921	OPWC Loan	USDA/RD Loan	Total
2013	\$ 39,864	\$ 11,973	\$ 11,882	\$ 11,690	\$ 75,409
2014	39,864	11,973	11,882	11,998	75,717
2015	39,864	11,973	11,882	12,027	75,746
2016	39,864	11,973	11,882	12,054	75,773
2017	19,932	11,973	11,882	12,081	55,868
2018-2022	-	59,865	17,823	59,912	137,600
2023-2027	-	17,960		59,919	77,879
2028-2032	-			59,921	59,921
2033-2037	-			59,925	59,925
2038-2040	-			24,302	24,302
Total	<u>\$ 179,388</u>	<u>\$ 137,690</u>	<u>\$ 77,233</u>	<u>\$ 323,829</u>	<u>\$ 718,140</u>

6. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS), except for several Council members who have elected instead to pay into Social Security. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's 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 10.0% of their gross salaries, and the Village contributed an amount equaling 14.0% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. FISCAL EMERGENCY

At the request of the Mayor of the Village of Willshire, the Auditor of State's Office conducted an analysis of the Village to determine if the fiscal condition of the Village had deteriorated to the point that a declaration of fiscal watch or fiscal emergency was appropriate. The analysis identified the existence of two fiscal emergency conditions and declared the Village to be in fiscal emergency. The declaration of fiscal emergency was based on significant deficits in the General and Water Operating funds as of December 31, 2004 and November 30, 2005. The declaration of emergency prompted the creation of a Financial Planning and Supervision Commission to oversee and direct the Village's financial recovery. By statute, the Village Council must adopt a recovery plan and the plan to the Commission for approval. The Village has adopted the necessary plans for 2011 and 2012, which have been approved by the Commission. The fund deficits identified above were eliminated in 2012.

Perry & Associates

Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

June 25, 2013

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

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 Willshire**, Van Wert County, Ohio, (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 June 25, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1, and the Village implemented Governmental Accounting Standards Board Statement No. 54.

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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 25, 2013.

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.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF WILLSHIRE
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED 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	System Discrepancies	Yes	N/A



Dave Yost • Auditor of State

VILLAGE OF WILLSHIRE

VAN WERT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 26, 2013**