



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF WARSAW
COSHOCKTON COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Warsaw, Coshocton County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017.

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 § 117.38 and Ohio Administrative Code § 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 such 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 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code § 117.38 and Ohio Admin. Code § 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 § 117.38 and Ohio Administrative Code § 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, 2018 and 2017, and the respective changes in financial position 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Warsaw, Coshocton County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2019, 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.



Keith Faber
Auditor of State
Columbus, Ohio

July 29, 2019

Village of Warsaw, Ohio
Coshocton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$50,745	\$11,379	\$0	\$62,124
Intergovernmental	33,581	54,440	0	88,021
Charges for Services	557	81,384	1,300	83,241
Fines, Licenses and Permits	4,962	0	0	4,962
Earnings on Investments	128	17	13	158
Miscellaneous	3,080	27,170	0	30,250
<i>Total Cash Receipts</i>	<u>93,053</u>	<u>174,390</u>	<u>1,313</u>	<u>268,756</u>
Cash Disbursements				
Current:				
Security of Persons and Property	49,452	0	0	49,452
Public Health Services	1,785	17,580	3,500	22,865
Leisure Time Activities	0	134,394	0	134,394
Community Environment	4,990	0	0	4,990
Basic Utility Services	2,000	0	0	2,000
Transportation	0	24,328	0	24,328
General Government	40,030	0	0	40,030
Debt Service:				
Principal Retirement	7,710	0	0	7,710
Interest and Fiscal Charges	618	0	0	618
<i>Total Cash Disbursements</i>	<u>106,585</u>	<u>176,302</u>	<u>3,500</u>	<u>286,387</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(13,532)</u>	<u>(1,912)</u>	<u>(2,187)</u>	<u>(17,631)</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	79	268	0	347
Other Financing Uses	(651)	0	0	(651)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(572)</u>	<u>268</u>	<u>0</u>	<u>(304)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(14,104)</u>	<u>(1,644)</u>	<u>(2,187)</u>	<u>(17,935)</u>
<i>Fund Cash Balances, January 1</i>	<u>46,774</u>	<u>146,265</u>	<u>26,498</u>	<u>219,537</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	24,311	24,311
Restricted	0	58,225	0	58,225
Committed	0	86,396	0	86,396
Assigned	32,670	0	0	32,670
<i>Fund Cash Balances, December 31</i>	<u>\$32,670</u>	<u>\$144,621</u>	<u>\$24,311</u>	<u>\$201,602</u>

See accompanying notes to the basic financial statements.

Village of Warsaw, Ohio
Coshocton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2018

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$192,022
Fines, Licenses and Permits	6,820
	198,842
<i>Total Operating Cash Receipts</i>	<i>198,842</i>
Operating Cash Disbursements	
Personal Services	90,540
Employee Fringe Benefits	24,173
Contractual Services	90,706
Supplies and Materials	60,271
	265,690
<i>Total Operating Cash Disbursements</i>	<i>265,690</i>
<i>Operating Income (Loss)</i>	<i>(66,848)</i>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	497
Capital Outlay	(716)
Other Financing Sources	230
	11
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>11</i>
<i>Net Change in Fund Cash Balances</i>	<i>(66,837)</i>
<i>Fund Cash Balances, January 1</i>	<i>99,847</i>
<i>Fund Cash Balances, December 31</i>	<i>\$33,010</i>

See accompanying notes to the basic financial statements.

Village of Warsaw, Ohio
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

1. REPORTING ENTITY

Description of the Entity

The Village of Warsaw (the Village), Coshocton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, cemetery maintenance, and police services. The Village contracts with the Coshocton County Sheriff's department to provide security of persons and property.

The Village participates in a jointly governed organization. Notes 9 to the financial statements provides additional information for this entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

B. Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 license tax monies to pay for constructing, maintaining, and repairing Village streets.

Park Fund – This fund receives donations and swimming pool fees along with shelter rentals for Village Recreation.

Village of Warsaw, Ohio
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Permanent Funds

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

Cemetery Endowment Fund – This fund receives interest on the nonexpendable corpus from a trust agreement. Additionally, a portion of sale of cemetery lots is received in this fund. This fund is used for the maintenance and upkeep of the Village's cemetery.

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 water service costs.

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

D. Budgetary Process

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

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.

Estimated Resources

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

Village of Warsaw, Ohio
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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 reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

E. Deposits

All deposits are maintained in certificates of deposits, savings account, and interest checking accounts.

F. Capital Assets

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

G. Accumulated Leave

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

H. 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:

Nonspendable

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

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.

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 Warsaw, Ohio
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance (Continued)

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.

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$96,266	\$93,132	(\$3,134)
Special Revenue	220,069	174,658	(45,411)
Permanent	1,968	1,313	(655)
Enterprise	229,629	199,569	(30,060)
Total	<u>\$547,932</u>	<u>\$468,672</u>	<u>(\$79,260)</u>

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$143,039	\$107,236	\$35,803
Special Revenue	340,296	176,302	163,994
Permanent	10,000	3,500	6,500
Enterprise	303,222	266,406	36,816
Total	<u>\$796,557</u>	<u>\$553,444</u>	<u>\$243,113</u>

Village of Warsaw, Ohio
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

4. EQUITY IN POOLED CASH

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:

	<u>2018</u>
Demand deposits	\$228,112
Certificates of deposit	<u>6,500</u>
Total deposits	<u><u>\$234,612</u></u>

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). 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 2018, 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, 2018.

Village of Warsaw, Ohio
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

7. DEFINED BENEFIT PENSION PLANS (Continued)

Social Security

Several Village employees contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

8. POSTEMPLOYMENT BENEFITS

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. JOINTLY GOVERNED ORGANIZATION

Walhonding Valley Fire District (the District)

The District provides fire protection for the Village. The District is directed by an appointment eleven-member Board of Trustees. One Board member is appointed by each political subdivision within the District with one member at large appointed from one of the political subdivisions. Those subdivisions are Bedford Township, Bethlehem Township, Clark Township, Jefferson Township, Monroe Township, New Castle Township, Perry Township, Tiverton Township, Village of Nellie, and Village of Warsaw. The District provides fire protection services to citizens within those areas. During 2018, the Village paid no monies to the District.

10. LEASES

The Village leases a police vehicle under non-cancelable leases. For the year ended December 31, 2018, the Village disbursed the final lease payment amount of \$8,238.

11. SUBSEQUENT EVENTS

The Village approved the issuance of \$68,000 in bonds for the purpose of paying part of the cost of park improvements on June 19, 2019. The bond is payable over a period of 10 years with a 3.95% interest rate per annum.

Village of Warsaw, Ohio
Coshocton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$44,572	\$10,432	\$0	\$55,004
Intergovernmental	31,385	56,122	0	87,507
Charges for Services	0	95,033	1,100	96,133
Fines, Licenses and Permits	5,292	0	0	5,292
Earnings on Investments	267	51	43	361
Miscellaneous	1,590	27,910	0	29,500
<i>Total Cash Receipts</i>	<u>83,106</u>	<u>189,548</u>	<u>1,143</u>	<u>273,797</u>
Cash Disbursements				
Current:				
Security of Persons and Property	49,794	0	0	49,794
Public Health Services	3,966	19,104	5,000	28,070
Leisure Time Activities	2,472	148,103	0	150,575
Community Environment	9,021	0	0	9,021
Basic Utility Services	167	0	0	167
Transportation	0	54,499	0	54,499
General Government	54,385	0	0	54,385
Debt Service:				
Principal Retirement	7,139	0	0	7,139
Interest and Fiscal Charges	1,188	0	0	1,188
<i>Total Cash Disbursements</i>	<u>128,132</u>	<u>221,706</u>	<u>5,000</u>	<u>354,838</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(45,026)</u>	<u>(32,158)</u>	<u>(3,857)</u>	<u>(81,041)</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	1,488	3,446	0	4,934
Other Financing Uses	(1,809)	0	0	(1,809)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(321)</u>	<u>3,446</u>	<u>0</u>	<u>3,125</u>
<i>Net Change in Fund Cash Balances</i>	<u>(45,347)</u>	<u>(28,712)</u>	<u>(3,857)</u>	<u>(77,916)</u>
<i>Fund Cash Balances, January 1</i>	<u>92,121</u>	<u>174,977</u>	<u>30,355</u>	<u>297,453</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	26,498	26,498
Restricted	0	41,771	0	41,771
Committed	0	104,494	0	104,494
Assigned	46,774	0	0	46,774
<i>Fund Cash Balances, December 31</i>	<u>\$46,774</u>	<u>\$146,265</u>	<u>\$26,498</u>	<u>\$219,537</u>

See accompanying notes to the basic financial statements.

Village of Warsaw, Ohio
Coshocton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2017

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$181,580
Fines, Licenses and Permits	7,973
<i>Total Operating Cash Receipts</i>	<i>189,553</i>
Operating Cash Disbursements	
Personal Services	86,902
Employee Fringe Benefits	22,878
Contractual Services	85,588
Supplies and Materials	47,649
<i>Total Operating Cash Disbursements</i>	<i>243,017</i>
<i>Operating Income (Loss)</i>	<i>(53,464)</i>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	551
Capital Outlay	(7,941)
Other Financing Sources	1,557
Other Financing Uses	(4,527)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(10,360)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(63,824)</i>
<i>Fund Cash Balances, January 1</i>	<i>163,671</i>
<i>Fund Cash Balances, December 31</i>	<i>\$99,847</i>

See accompanying notes to the basic financial statements.

Village of Warsaw, Ohio
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

1. REPORTING ENTITY

Description of the Entity

The Village of Warsaw (the Village), Coshocton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, cemetery maintenance, and police services. The Village contracts with the Coshocton County Sheriff's department to provide security of persons and property.

The Village participates in a jointly governed organization. Notes 9 to the financial statements provides additional information for this entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

B. Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

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Street Construction Maintenance and Repair Fund– This fund receives gasoline tax and motor vehicle license tax monies to pay for constructing, maintaining, and repairing Village streets.

Park Fund – This fund receives donations and swimming pool fees along with shelter rentals for Village Recreation.

Village of Warsaw, Ohio
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Permanent Funds

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

Cemetery Endowment Fund – This fund receives interest on the nonexpendable corpus from a trust agreement. Additionally, a portion of sale of cemetery lots is received in this fund. This fund is used for the maintenance and upkeep of the Village's cemetery.

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 water service costs.

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

D. Budgetary Process

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

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.

Estimated Resources

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

Village of Warsaw, Ohio
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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 reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

E. Deposits

All deposits are maintained in certificates of deposits, savings account, and interest checking accounts.

F. Capital Assets

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

G. Accumulated Leave

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

H. 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:

Nonspendable

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

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.

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 Warsaw, Ohio
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance (Continued)

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.

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$108,354	\$84,594	(\$23,760)
Special Revenue	226,070	192,994	(33,076)
Permanent	2,012	1,143	(869)
Enterprise	198,435	191,661	(6,774)
Total	\$534,871	\$470,392	(\$64,479)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$200,475	\$129,941	\$70,534
Special Revenue	368,074	221,706	146,368
Permanent	2,403	5,000	(2,597)
Enterprise	362,106	255,485	106,621
Total	\$933,058	\$612,132	\$320,926

Village of Warsaw, Ohio
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

4. EQUITY IN POOLED CASH

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:

	<u>2017</u>
Demand deposits	\$312,884
Certificates of deposit	<u>6,500</u>
Total deposits	<u><u>\$319,384</u></u>

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). 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 2017, 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, 2017.

Village of Warsaw, Ohio
Coshocton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

7. DEFINED BENEFIT PENSION PLANS (Continued)

Social Security

Several Village employees contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

8. POSTEMPLOYMENT BENEFITS

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. JOINTLY GOVERNED ORGANIZATION

Walhonding Valley Fire District (the District)

The District provides fire protection for the Village. The District is directed by an appointment eleven-member Board of Trustees. One Board member is appointed by each political subdivision within the District with one member at large appointed from one of the political subdivisions. Those subdivisions are Bedford Township, Bethlehem Township, Clark Township, Jefferson Township, Monroe Township, New Castle Township, Perry Township, Tiverton Township, Village of Nellie, and Village of Warsaw. The District provides fire protection services to citizens within those areas. During 2018, the Village paid no monies to the District.

10. LEASES

The Village leases a police vehicle under non-cancelable leases. The Village disbursed \$8,327 to pay lease costs for the year ended December 31, 2017.

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

Year Ending December 31:	Leases
<u>2018</u>	<u>8,327</u>
Total	<u><u>\$8,327</u></u>

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Warsaw, Coshocton County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated July 29, 2019, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D) permit.

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.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2018-001 through 2018-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2018-001.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

July 29, 2019

**VILLAGE OF WARSAW
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.15 states that in addition to the transfers authorized in § 5705.14, the taxing authority of any political subdivision may, in the manner provided in this section and § 5705.16, transfer from one fund to another any public funds under its supervision, except the proceeds or balances of loans, bond issues, special levies for the payment of loans or bond issues, the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and the proceeds or balances of any license fees imposed by law for a specified purpose. Ohio Rev. Code § 5705.16 states that a resolution of the taxing authority of any political subdivision shall be passed by a majority of all the members thereof, declaring the necessity for the transfer of funds authorized by § 5705.15 of the Revised Code, and such taxing authority shall submit to the tax commissioner a petition that includes the name and amount of the fund, the fund to which it is desired to be transferred, a copy of such resolution with a full statement of the proceedings pertaining to its passage, and the reason or necessity for the transfer. The commissioner shall approve the transfer of such funds upon determining each of the following: (A) The petition states sufficient facts; (B) That there are good reasons, or that a necessity exists, for the transfer; and (C) No injury will result from the transfer of such funds.

The Permanent Cemetery Endowment Fund was comprised of a permanent principal balance as well as charges for services and interest received in this fund. Only the non-principal balance was expendable. During 2017, the Village made a \$5,000 transfer from the Permanent Cemetery Endowment Fund to the Cemetery Special Revenue Fund. During 2018, the Village made a \$3,500 transfer from the Permanent Cemetery Endowment Fund to the Cemetery Special Revenue Fund. These transfers did not meet the criteria of Ohio Rev. Code § 5705.14. Additionally, the Village did not attain approval from the tax commissioner. The amount of the transfer was less than charges for services revenue received over the last several years. Therefore, instead of a transfer, expenditures of \$5,000 for 2017 and \$3,500 for 2018 made in the Cemetery Special Revenue Fund should have been reported in the Permanent Cemetery Endowment Fund. An adjustment to the financial statements was made in the Permanent Cemetery Endowment Fund and the Cemetery Special Revenue Fund to properly reflect this transaction.

We also noted that the Village Council did not properly approve of the transfer in 2017, therefore making them non-compliant with ORC 5705.16. We did note the approval of the 2018 transfer.

Additionally, the Village cannot locate the original trust agreement that created the Permanent Cemetery Endowment fund. As a result, it is not known whether the principal balance is actually nonexpendable and if the Village can utilize this money to meet current cemetery expenditure needs.

The Village should not make transfers from the Permanent Cemetery Endowment Fund unless the proper approval is obtained. The Village should make expenditures from the Permanent Cemetery Endowment Fund, as long as they do not exceed the original principal balance. Additionally, the Village should either attempt to locate the trust agreement or obtain legal counsel regarding whether or not the Village can expend the principal balance. If the principal balance is determined to be expendable, the Village should restate subsequent year financial statements to report the Cemetery Endowment Fund as a Special Revenue Fund instead of as a Permanent Fund. This will provide the Village with additional funds that can be expended in support of their cemetery, should they choose to expend these monies.

VILLAGE OF WARSAW
COSHOCKTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)

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

FINDING NUMBER 2018-002

Material Weakness

Maintaining organized documentation and support for financial transactions is essential in assuring the Village's financial statements are accurately presented and complete. The Village Park Fund collects revenue for pool admissions, pool memberships, pool punch passes, concessions, pool rentals, pavilion shelter rentals, dunk tank rentals, and campsite and shower rentals. The Recreation Fund collects revenue for recreation league participants, sponsors, and recreation fundraisers. Miscellaneous revenue represents monies collected from various sources.

For 2017, the Village did not maintain support for amounts tested totaling \$2,009 of miscellaneous revenue in the Park Fund. For 2018, the Village did not maintain support for amounts tested totaling \$2,065 of miscellaneous revenue in the Park Fund.

Additionally, the Village held a gun raffle which was accounted for in the Recreation Fund in 2017 and sold 1,780 tickets and maintained 433 unsold tickets; however, 287 tickets were unaccounted for.

Lack of detailed supporting documentation of the Village receipts could result in not all monies being collected or deposited.

The Village should implement procedures to ensure that miscellaneous revenue support be maintained either in the form of remittances, ticket counts and summaries for fundraisers, etc. Additionally, all tickets (sold or unsold) should be maintained to support the money collected from ticket sales. This will help mitigate the risk of fraud and help ensure the Village collects all revenue due them.

FINDING NUMBER 2018-003

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

As a result of audit procedures performed, errors noted in the Village's financial statements required audit adjustment and reclassification as follows:

- In 2018, capital lease payments were paid from unallowable funds resulting in expenditures being overstated and the cash fund balance being understated in the Street Construction Fund, Water Fund, and Sewer Fund by \$1,000, \$1,100, and \$1,028, respectively. Likewise, expenditures were understated and the cash fund balance overstated in the General Fund by \$3,128. Additionally, capital lease payments within the General Fund were reclassified to principal retirement of \$7,710 and interest of \$618.
- In 2017, capital lease payments within the General Fund were reclassified to principal retirement and interest amounting to \$7,139 and \$1,188, respectively.
- Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows:

VILLAGE OF WARSAW
COSHOCOTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)

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

FINDING NUMBER 2018-003 (Continued)

Material Weakness (Continued)

GASB Cod. 1800.176 states that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance.

The Village General Fund appropriations exceeded estimated revenues by \$35,798 for 2018 and \$46,774 for 2017. Therefore, the Assigned Fund Balance was misclassified as Unassigned Fund Balance in each year.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. These adjustments and reclassifications were agreed to by management, and the financial statements have been adjusted accordingly.

Additionally, as a result of audit procedures performed, the following insignificant adjustments and reclassifications were noted in the Village's financial statements:

- In 2017, donations of \$3,600 in the Recreation Fund was incorrectly report as Charges for Services Revenue instead of Miscellaneous Revenue; and
- Charges for Services revenue and Leisure Time Activities expenses were overstated by \$2,175 in 2018 and \$2,225 in 2017 as change for startup funds with the cash registers was improperly reflected on the ledgers.

Failure to properly report financial activity could result in material misstatements occurring and remaining undetected and fail to provide management with an accurate picture of the Village's financial position and operations.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend the Village take the necessary steps to ensure that all revenues, expenditures and equity of the Village are properly presented and disclosed in the Village's financial statements.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**Village of Warsaw
Coshocton County**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code § 5705.15 – Improper transfers	Not Corrected	This fund is no longer used and the Perpetual Care money is no longer collected. The money all goes into the Cemetery 2031 account. This was done in 2019.
2016-002	Maintaining Support– No documentation was maintained for charges for services revenue and miscellaneous revenue	Not Corrected	This will be corrected in 2019.
2016-003	Financial Reporting – material adjustments and reclassifications	Not Corrected	This will be corrected in 2019.

OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF WARSAW

COSHOCTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 13, 2019**