



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF WILLSHIRE  
VAN WERT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2018 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Proprietary Fund Types - For the Year Ended December 31, 2018 .....	4
Notes to the Financial Statements – For the Year Ended December 31, 2018.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017 .....	13
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Proprietary Fund Types - For the Year Ended December 31, 2017 .....	14
Notes to the Financial Statements – For the Year Ended December 31, 2017.....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	23
Schedule of Findings.....	25
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	33

**This page intentionally left blank.**



One First National Plaza  
130 West Second Street, Suite 2040  
Dayton, Ohio 45402-1502  
(937) 285-6677 or (800) 443-9274  
WestRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

Village of Willshire  
Van Wert County  
315 State Street  
PO Box 110  
Willshire, Ohio 45898

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 Willshire, Van Wert 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 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 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 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.

---

Efficient • Effective • Transparent

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, 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 Willshire, Van Wert County as of December 31, 2018 and 2017, 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 2.

***Emphasis of Matter***

As discussed in Note 12 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuring emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2020, 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

September 14, 2020

**VILLAGE OF WILLSHIRE, VAN WERT COUNTY  
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, 2018**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<b>Cash Receipts</b>					
Property and Other Taxes	\$29,138	\$8,272			\$37,410
Municipal Income Tax	61,595				61,595
Intergovernmental	25,952	56,837	\$276,252		359,041
Charges for Services		31,432			31,432
Fines, Licenses and Permits	2,490				2,490
Earnings on Investments	4,827	761			5,588
Miscellaneous	1,496	5,505			7,001
<i>Total Cash Receipts</i>	<u>125,498</u>	<u>102,807</u>	<u>276,252</u>		<u>504,557</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons & Property	12,942	61,337			74,279
Public Health Services		10,999			10,999
Leisure Time Activities	1,200				1,200
Transportation		17,641			17,641
General Government	71,880	348			72,228
Capital Outlay			355,133		355,133
<i>Total Cash Disbursements</i>	<u>86,022</u>	<u>90,325</u>	<u>355,133</u>		<u>531,480</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>39,476</u>	<u>12,482</u>	<u>(78,881)</u>		<u>(26,923)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In		9,000			9,000
Transfers Out	(9,000)				(9,000)
Other Debt Proceeds			78,881		78,881
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(9,000)</u>	<u>9,000</u>	<u>78,881</u>		<u>78,881</u>
<i>Net Change in Fund Cash Balances</i>	30,476	21,482	0		51,958
<i>Fund Cash Balances, January 1</i>	<u>202,318</u>	<u>203,905</u>	<u>0</u>	<u>\$1,001</u>	<u>407,224</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		225,387	0	1,001	226,388
Assigned	97,823				97,823
Unassigned	134,971				134,971
<i>Fund Cash Balances, December 31</i>	<u>\$232,794</u>	<u>\$225,387</u>	<u>\$0</u>	<u>\$1,001</u>	<u>\$459,182</u>

See accompanying notes to the financial statements.

**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, 2018**

	<b>Enterprise</b>
<b>Operating Cash Receipts</b>	
Charges for Services	\$253,941
<i>Total Operating Cash Receipts</i>	253,941
<b>Operating Cash Disbursements</b>	
Personal Services	60,723
Fringe Benefits	12,125
Contractual Services	71,090
Supplies and Materials	110,750
Other	500
<i>Total Operating Cash Disbursements</i>	255,188
<i>Operating Income (Loss)</i>	(1,247)
<b>Non-Operating Receipts (Disbursements)</b>	
Miscellaneous Receipts	770
Principal Retirement	(27,381)
Interest and Other Fiscal Charges	(8,441)
<i>Total Non-Operating Receipts (Disbursements)</i>	(35,052)
<i>Net Change in Fund Cash Balance</i>	(36,299)
<i>Fund Cash Balances, January 1</i>	208,189
<i>Fund Cash Balances, December 31</i>	\$171,890

See accompanying notes to the financial statements.



**Village of Willshire, Ohio**  
*Van Wert County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 1 – Reporting Entity**

The Village of Willshire (the Village), Van Wert 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 and with a three member publicly elected Board of Public Affairs. The Village appropriates general fund money to support for a volunteer fire department.

***Public Entity Risk Pools***

The Village participates in public entity risk pools. Notes 7 and 11 to the financial statements provide additional information for these entities. The Villages' management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***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.

***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 tax money for constructing, maintaining, and repairing village streets.

***State Highway*** This fund receives gasoline Tax and motor vehicle tax money for constructing, maintaining and repairing State Highways in the village.

***Permissive Motor Vehicle License Tax*** This fund receives permissive vehicle tax money for constructing, maintaining and repairing village streets.

***Fire Fund*** This fund receives money to support a volunteer fire department and to provide fire protection services.

**Village of Willshire, Ohio**  
*Van Wert County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

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

**OPWC Fund** The Village received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

**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.

**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 the cost of providing the utility.

**Water Capital Improvement Fund** This fund is used to pay current water services and start to save and plan for needed improvements for the future

**Sewer Fund** This fund receives charges for services from residents to cover the cost of providing the utility.

***Basis of Accounting***

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 Board 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.

***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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**Village of Willshire, Ohio**  
*Van Wert County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**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.

**Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year. The Village had no encumbrances at year end.

A summary of 2018 budgetary activity appears on Note 4.

**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 checking account is located at The Peoples Bank Co in Rockford, Ohio. The Village also has one certificate of deposit and a savings account the The People Bank Co, Rockford, Ohio.

**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.

**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.

**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 Willshire, Ohio**  
*Van Wert County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**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.

**Note 3 – Compliance**

Contrary to Ohio law, the Council did not approve the appropriation measure for 2018; six amendments to appropriations for 2018 were not approved and appropriations recorded in the Village’s accounting system did not agree to those provided from the Van Wert County Budget Commission in 2018.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$101,327	\$125,498	\$24,171
Special Revenue	54,133	111,807	57,674
Capital Projects	0	355,133	355,133
Enterprise	352,723	254,711	(98,012)
Total	\$508,183	\$847,149	\$338,966

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$95,022	(\$95,022)
Special Revenue	0	90,325	(90,325)
Capital Projects	0	355,133	(355,133)
Enterprise	0	291,010	(291,010)
Total	\$0	\$831,490	(\$831,490)

**Village of Willshire, Ohio**  
*Van Wert County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 5 – Deposits and Investments**

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

	2018
Demand deposits	<u>\$605,387</u>
Certificates of deposit	24,621
Other time deposits (savings account)	<u>1,064</u>
Total deposits	<u><u>\$631,072</u></u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village. The Village's Certificate of Deposit is valued at cost.

**Note 6 – Taxes**

***Property Taxes***

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.

***Income Taxes***

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Village of Willshire, Ohio**  
*Van Wert County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 7 – Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

***Social Security***

The Village Fire Chief contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

**Village of Willshire, Ohio**  
*Van Wert County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

---

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.

**Note 9 – Postemployment Benefits**

OPERS offers 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018.

**Note 10 – Debt**

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>
USDA/RD Water Fund Bonds	\$157,100
OPWC CT50T Loan	78,881
OWDA Water Fund Loan	61,726
OPWC Water Fund Loan	5,941
Total	<u><u>\$303,648</u></u>

The Ohio Water Development Authority (OWDA) loan 2921 is for construction of a new water treatment 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. Payments were made out of the water fund.

The Ohio Public Works Commission loan is for construction of a new water treatment plant facility. The loan was authorized July 1, 1996 for \$237,639, 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. Payments were made out of the water fund.

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 for \$209,000, 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. Payments were made out of the water fund.

The Ohio Public Works Commission authorized loan CT 50T for Green and Various Street Improvements. The loan was authorized July 1, 2016, with a total amount not to exceed \$510,000. Loan was not complete as of December 31, 2018.

**Village of Willshire, Ohio**  
*Van Wert County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

***Amortization***

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

Year Ending December 31:	OPWC	OWDA	USDA
2019	\$5,941	\$11,974	\$12,062
2020		11,973	11,944
2021		11,974	12,021
2022		11,973	11,983
2023		11,973	11,936
2024-2028		5,987	59,958
2029-2033			59,869
2034-2038			59,942
2039			11,942
Total	\$5,941	\$65,854	\$251,657

**Note 11 – Public Entity Risk Pool**

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**Note 12 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The Village’s investment portfolio and the investments of the pension and other employee benefit plan in which the Village participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.



**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, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<b>Cash Receipts</b>					
Property and Other Taxes	\$29,895	\$8,515			\$38,410
Municipal Income Tax	58,483				58,483
Intergovernmental	25,988	21,893	\$693,748		741,629
Charges for Services		19,813			19,813
Fines, Licenses and Permits	2,738				2,738
Earnings on Investments	1,955	298			2,253
Miscellaneous	1,297	2,335			3,632
<i>Total Cash Receipts</i>	<u>120,356</u>	<u>52,854</u>	<u>693,748</u>		<u>866,958</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons & Property	25,228	35,299			60,527
Public Health Services		5,244			5,244
Leisure Time Activities	1,859				1,859
Transportation		15,176			15,176
General Government	77,225	355			77,580
Capital Outlay		2,075	693,748		695,823
<i>Total Cash Disbursements</i>	<u>104,312</u>	<u>58,149</u>	<u>693,748</u>		<u>856,209</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	16,044	(5,295)	0		10,749
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In		9,000			9,000
Transfers Out	(9,000)				(9,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(9,000)</u>	<u>9,000</u>			
Net Change in Fund Cash Balances	7,044	3,705	0		10,749
<i>Fund Cash Balances, January 1</i>	<u>195,274</u>	<u>200,200</u>	<u>0</u>	<u>\$1,001</u>	<u>396,475</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		203,905	0	1,001	204,906
Assigned	145,458				145,458
Unassigned	56,860				56,860
<i>Fund Cash Balances, December 31</i>	<u>\$202,318</u>	<u>\$203,905</u>	<u>\$0</u>	<u>\$1,001</u>	<u>\$407,224</u>

See accompanying notes to the financial statements.

**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, 2017**

	<b>Enterprise</b>
<b>Operating Cash Receipts</b>	
Charges for Services	\$319,416
<i>Total Operating Cash Receipts</i>	319,416
<b>Operating Cash Disbursements</b>	
Personal Services	61,808
Fringe Benefits	59,271
Contractual Services	66,126
Supplies and Materials	86,468
Other	200
<i>Total Operating Cash Disbursements</i>	273,873
<i>Operating Income (Loss)</i>	45,543
<b>Non-Operating Receipts (Disbursements)</b>	
Miscellaneous Receipts	4,221
Capital Outlay	(7,000)
Principal Retirement	(45,860)
Interest and Other Fiscal Charges	(9,889)
<i>Total Non-Operating Receipts (Disbursements)</i>	(58,528)
<i>Income (Loss)</i>	(12,985)
<i>Fund Cash Balances, January 1</i>	221,174
<i>Fund Cash Balances, December 31</i>	\$208,189

See accompanying notes to the financial statements.

**Village of Willshire, Ohio**  
*Van Wert County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 1 – Reporting Entity**

The Village of Willshire (the Village), Van Wert 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 and with a three member publicly elected Board of Public Affairs. The Village appropriates general fund money to support for a volunteer fire department.

***Public Entity Risk Pools***

The Village participates in public entity risk pools. Notes 7 and 11 to the financial statements provide additional information for these entities. The Villages' management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***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.

***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 tax money for constructing, maintaining, and repairing village streets.

***State Highway*** This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing State Highways in the village.

***Permissive Motor Vehicle License Tax*** This fund receives permissive vehicle tax money for constructing, maintaining and repairing village streets.

***Fire Fund*** This fund receives money to support a volunteer fire department and to provide fire protection services.

**Village of Willshire, Ohio**  
*Van Wert County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

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

**OPWC Fund** The Village received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

**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 Village 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.

**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 the cost of providing this utility.

**Water Capital Improvement Fund** This fund is used to pay current water services and start to save and plan for needed improvements for the future

**Sewer Fund** This fund receives charges for services from residents to cover the cost of providing this utility.

***Basis of Accounting***

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 Board 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.

***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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**Village of Willshire, Ohio**  
*Van Wert County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

---

***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.

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year. The Village had no encumbrances at year end.

A summary of 2017 budgetary activity appears in Note 4.

***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 checking account is located at The Peoples Bank Co in Rockford, Ohio. The Village also has one certificate of deposit and a savings account at The Peoples Bank Co, Rockford, Ohio.

***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.

***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.

***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.

***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

**Village of Willshire, Ohio**  
*Van Wert County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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.

**Note 3 – Compliance**

Contrary to Ohio law, the Council did not approve the appropriation measure for 2017; twenty-one amendments to appropriations for 2017 were not approved and the appropriations recorded in the Village’s accounting system did not agree to those provided from the Van Wert County Budget Commission in 2017.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$101,327	\$120,356	\$19,029
Special Revenue	54,805	61,854	7,049
Capital Projects	0	693,748	693,748
Enterprise	346,750	323,637	(23,113)
Total	\$502,882	\$1,199,595	\$696,713

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$113,312	(\$113,312)
Special Revenue	0	58,149	(58,149)
Capital Projects	0	693,748	(693,748)
Enterprise	0	336,622	(336,622)
Total	\$0	\$1,201,831	(\$1,201,831)

**Village of Willshire, Ohio**  
*Van Wert County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 5 – Deposits and Investments**

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

	2017
Demand deposits	\$589,923
Certificates of deposit	24,473
Other time deposits (savings and NOW accounts)	1,017
Total deposits	<u>\$615,413</u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village. The Village's Certificate of Deposit is valued at cost.

**Note 6 – Taxes**

***Property Taxes***

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.

***Income Taxes***

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Village of Willshire, Ohio**  
*Van Wert County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 7 – Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

*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, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Village 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 health care and survivor and disability benefits.



**Village of Willshire, Ohio**  
*Van Wert County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

***Social Security***

The Village Fire Chief 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.

**Note 9 – Postemployment Benefits**

OPERS offers 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Note 10 – Debt**

Debt outstanding at December 31, 2017, was as follows:

	<u>Principal</u>
USDA/RD Water Fund Bonds	\$161,400
OWDA Water Fund Loan	72,254
OPWC Water Fund Loan	<u>17,823</u>
Total	<u><u>\$251,477</u></u>

The Ohio Water Development Authority (OWDA) loan 2920 was 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. Debt was paid off in 2017.

The Ohio Water Development Authority (OWDA) loan 2921 is for construction of a new water treatment 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. Payments were made out of the water fund.

The Ohio Public Works Commission loan is for construction of a new water treatment 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. Payments were made out of the water fund.

**Village of Willshire, Ohio**  
*Van Wert County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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 for \$209,000, 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. Payments were made out of the water fund.

The Ohio Public Works Commission loan is for the Green and Various Street Improvements. The loan was authorized July 1, 2016, with a total amount not to exceed \$510,000. No draws were made as of December 31, 2017 and the loan was not complete as of December 31, 2017.

***Amortization***

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

Year Ending December 31:	OPWC	OWDA	USDA
2018	\$11,882	\$11,973	\$11,967
2019	5,941	11,974	12,062
2020		11,973	11,944
2021		11,974	12,021
2022		11,973	11,983
2023-2027		17,960	59,878
2028-2032			59,860
2033-2037			59,903
2038-2039			24,006
Total	\$17,823	\$77,827	\$263,624

**Note 11 – Public Entity Risk Pool**

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

# OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza  
130 West Second Street, Suite 2040  
Dayton, Ohio 45402-1502  
(937) 285-6677 or (800) 443-9274  
WestRegion@ohioauditor.gov

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

Village of Willshire  
Van Wert County  
315 State Street  
PO Box 110  
Willshire, Ohio 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 cash balances, receipts, and disbursements by fund type of the Village of Willshire, Van Wert County, (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 September 14, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuring emergency measures will impact subsequent periods of the Village.

### ***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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding 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 2018-003, 2018-004 and 2018-007 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2018-001 through 2018-006.

***Village's Response to Findings***

The Village's response to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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

September 14, 2020

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2018-001**

FINDING FOR RECOVERY / MATERIAL WEAKNESS / NONCOMPLIANCE

**Proper and Timely Withholding Payments**

**Ohio Rev. Code § 5747.06(A)** states, in part, that “except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee’s compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee’s adjusted gross income during the calendar year. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to the benefit of, the employee.”

**Ohio Rev. Code § 5747.07(B)** states, in part, that “except as provided in divisions (C) and (D) of this section and in division (A) of section 5747.072 of the Revised Code, every employer required to deduct and withhold any amount under section 5747.06 of the Revised Code shall file a return and shall pay the amount required by law.” **Ohio Revised Code § 5747.07(B)(4)**, states, in part, that “except as required by divisions (B)(1), (2), and (3) of this section, an employer shall make the payment of undeposited taxes for each calendar quarter during which they were required to be withheld no later than the last day of the month following the last day of March, June, September, and December each year. The employer shall file the return prescribed by the tax commissioner with the payment.” **Ohio Rev. Code § 5747.07(B)(3)** states, in part, that “if an employer’s actual or required payments were more than two thousand dollars during the twelve-month period ending on the thirtieth day of June of the preceding calendar year, the employer shall make the payment of un-deposited taxes for each month during which they were required to be withheld no later than fifteen days following the last day of that month. The employer shall file the return prescribed by the tax commissioner with the payment.

Additionally, **Ohio Rev. Code § 145.47(B)** states, in part, “the head of each state department, institution, board, and commission, and the fiscal officer of each local authority subject to this chapter, shall transmit to the system for each contributor subsequent to the date of coverage an amount equal to the applicable per cent of each contributor’s earnable salary at such intervals and in such form as the system shall require.”

For the period of October 2017 through June 2018, the Village paid interest charges and late fees in the amount of \$791, due to late filing of State Income Tax and Ohio Public Employees Retirement System withholdings. The Village did not remit the first and second quarter state income tax withholding payments in a timely manner and under remitted withholdings by \$555, for 2018. As a result, the Village was assessed a \$700 late fee and \$49 in interest in the fourth quarter. Also during 2018 and 2017, 8 out of 24 Ohio Public Employees Retirement System monthly withholdings were not timely remitted resulting in \$40 in late fees and \$2 in interest assessed. The Village over remitted \$1,007 in 2017 but under remitted \$1,841 in 2018.

Late fees and interest for failing to properly pay state income taxes and retirement withholdings are not considered a proper public purpose. Failure to properly remit withholdings could result in additional late fees and improper expenditure of funds. The Village should implement proper procedures and controls to ensure the timely remittance of all tax and retirement withholding payments.

**FINDING NUMBER 2018-001  
(Continued)**

***State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)***, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states, in part, the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

In accordance with the foregoing facts and pursuant to **Ohio Revised Code Section 117.28**, a finding for recovery for public monies illegally expended is hereby issued against Karen Hunziker and her bonding company, Ohio Plan Risk Management, Inc., jointly and severally liable, in the amount of \$791 and in favor of the Village of Willshire’s General fund.

**FINDING NUMBER 2018-002**

**NONCOMPLIANCE**

**Approval of Pay Rates**

**Ohio Rev. Code § 731.13** states, in part, that “the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village except as otherwise provided by law. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law or filing as a candidate for such office. The compensation so fixed shall not be increase or diminished during the term for which any officer is elected or appointed”.

From payroll testing performed, 8 of 13 pay rates in 2018 and 7 of 13 pay rates in 2017 reviewed were not documented as approved by Council. Of the rates noted above in both years, 2 were for elected positions. In addition, policies and procedures have not been adopted for payroll transactions to include policies regarding payment of overtime, holiday pay, paid leave, and other matters concerning employee pay and benefits.

By not having pay rates approved by Council and not having proper policies in place for the payment of payroll transactions, could allow for the unauthorized compensation to Village employees.

All rates of pay for elected, full-time, and part-time employees should be approved by Council and properly documented in the minute record of the Village. The Village should also properly adopt formal policies regarding the payment of payroll transactions.

## FINDING NUMBER 2018-003

### NONCOMPLIANCE AND MATERIAL WEAKNESS

#### **Budgetary Noncompliance**

**Ohio Rev. Code § 5705.38(A)** requires, in part, that “on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate.”

**Ohio Rev. Code § 5705.39** provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

**Ohio Rev. Code § 5705.40** states, in part, that “any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.”

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

For the years ended December 31, 2018 and 2017, the Village meeting minutes did not have documentation that the Council passed an annual appropriation measure or any amendments during the audit period. Appropriation information for both years was filed with the County Auditor but there was no indication on the documents filed with the County of Council’s approval. The appropriations on file with the County did not include appropriations for Ohio Public Works Commission funds, for which we had significant audit adjustments. Because there were no Council-approved appropriations, expenditures exceeded appropriations in all funds for both years.

The Council did not review budget versus actual receipts and disbursements reports from the accounting system during 2018 and 2017. Also, the unapproved amounts filed with the County did not agree with what was posted to the accounting system. Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow Council to make informed decisions regarding budgetary matters. Furthermore, the Council’s review of budget versus actual information is a significant internal control in monitoring performance of the Village and helps to identify unexpected fluctuations in the budget. The Village utilized the Uniform Accounting Network (UAN), which has the capabilities of producing budget versus actual reports for individual funds. Budgetary information was entered into the UAN system.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, and properly documenting approvals, the Village’s funds had expenditures in excess of appropriations as of December 31, 2018 and 2017, respectively.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

**FINDING NUMBER 2018-003  
(Continued)**

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers. Approval of budgetary matters should be properly documented in Council minutes.

**FINDING NUMBER 2018-004**

NONCOMPLIANCE AND MATERIAL WEAKNESS

**Accuracy of Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for 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.

**Ohio Rev. Code § 733.28** states, in part, that “the Village Clerk shall keep the books of the Village, exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and the income derived therefrom, and of all taxes and assessments”. Additionally, **Ohio Admin. Code § 117-2-02(A)** states, in part, that “all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report the transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements”.

The Village did not properly classify various transactions due to lack of proper procedures in place for recording activity and the lack of proper reviewing and monitoring procedures of financial information.

The following errors were noted on the Village’s annual reports:

During 2018 and 2017, the Village entered into an agreement with the Ohio Public Works Commission (OPWC) for on behalf transactions that included both grant and loan funding for projects. This activity was not recorded on the Village’s books, which resulted in the following adjustments:

- In 2018, an increase in debt proceeds in the amount of \$78,881, and increase in intergovernmental receipts of \$276,252 and an increase in capital outlay disbursements of \$355,133 in the Capital Projects fund.
- In 2017, an increase in intergovernmental receipts and capital outlay disbursements of \$693,748 in the Capital Projects fund.

During 2018, the Village fiscal officer made various fund balance adjustments that had no support available. As a result, these adjustments were removed. In addition, the 2017 beginning fund balances were not properly reported and did not agree to the prior audited ending balances. The following adjustments were made:



**FINDING NUMBER 2018-004**  
**(Continued)**

- Decrease to the General fund beginning balance in the amount of \$3,200 for 2018
- Decrease to the Water fund and an increase to the Sewer fund beginning fund balances in the amount of \$17,894 for 2018.
- Decrease to the General fund beginning balance in the amount of \$49,157 for 2017.
- Increase to the Special Revenue funds beginning balance in the amount of \$7,513 for 2017.

The following adjustments were also noted:

- In 2018, General fund intergovernmental revenue was increased by \$6,803, property and other local taxes was decreased by \$8,740 and unassigned fund balance was decreased by \$1,937 to properly reflect homestead and rollback receipts.
- In 2018, General fund income tax receipts were improperly posted which resulted in a decrease to property and other local taxes of \$5,407, an increase to income tax revenues of \$5,549, and an increase to general government disbursements of \$142.
- In 2018, Fire fund intergovernmental revenue and restricted fund balance were increased by \$1,937 to properly reflect homestead and rollback receipts.
- In 2018, gasoline excise tax receipts were posted to an incorrect fund which resulted in an increase in the Street Construction Maintenance and Repair intergovernmental receipts and fund balance of \$3,043, and a decrease in the State Highway fund intergovernmental receipts and fund balance by \$3,043.
- In 2017, an income tax receipt was posted twice, which resulted in a decrease to both income tax revenue and fund balance in the General fund by \$1,340.
- In 2017, General fund intergovernmental revenue was increased by \$7,200, property and other local taxes was decreased by \$9,243, general government disbursements were increased by \$15, and unassigned fund balance was decreased by \$2,058 to properly reflect homestead and roll back receipts. The fund balance adjustment was carried forward to the 2018 financial statements.
- In 2017, Fire fund intergovernmental revenue was increased by \$2,062, restricted fund balance was increased by \$2,058, and general government disbursements were increased by \$4 to properly reflect homestead and rollback receipts. The fund balance adjustment was carried forward to the 2018 financial statements.
- In 2017, debt service payments were posted to an incorrect fund and line item which resulted in a decrease to interest and fiscal charges in the Water fund of \$11, an increase to materials and supplies disbursements in the Water fund by \$3,914, a decrease in fund balance in the Water fund by \$3,903, and a decrease in materials and supplies in the Sewer fund by \$3,903 and an increase in the Sewer fund balance by \$3,903. The fund balance adjustment was carried forward to the 2018 financial statements.
- In both 2018 and 2017 the Cemetery permanent fund was incorrectly reported as a private purpose trust fund. There was no activity in this fund for either year. The fund balances were reclassified in the amounts of \$1,001 for both years to properly reflect the Cemetery fund as the correct fund type.

Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB Codification 1800.168-1800.177) - Fund Balance Reporting and Governmental Fund Type Definitions establishes fund balance classifications that stipulate use of fund balances based on the extent to which a government is required to observe constraints imposed upon the use of the resources reported in governmental funds and for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority.

**FINDING NUMBER 2018-004  
(Continued)**

- In both 2018 and 2017, a portion of the Unassigned fund balance in the General Fund was reclassified to Assigned fund balance to properly reflect appropriations exceeding estimated resources for the following year per GASB 54 guidance, in the amounts of \$97,823 and \$145,458, respectively. The above adjustments have been made to the financial statements and to the client records.

In addition to the adjustments/reclassifications listed above, we also identified additional misstatements ranging from \$220 to \$2,640 for 2018 and \$212 to \$509 for 2017 that we have brought to the Village's attention. These were not adjusted on the financial statements.

The notes to the financial statements had several incomplete parts, including the budgetary note. The fund descriptions in Note 2 did not contain descriptions of all the fund types, a compliance note disclosure had to be added for budgetary non-compliance along with correcting the budgetary information presented, and the debt note disclosure had several incorrect amounts or was not complete.

The failure to correctly classify financial activity in the UAN system and financial statements may impact the user's understanding of the financial operations, the Village's ability to make sound financial decisions, the Village's ability to comply with budgetary laws, and may result in material misstatement to the financial statements. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner.

The Village should utilize the Village Handbook, Auditor of State Bulletins, financial reporting shells on the Auditor of State's website and other resources available for guidance in an effort to correctly classify and report financial activity.

**FINDING NUMBER 2018-005**

**NONCOMPLIANCE**

**Utility Rates Charged**

The Village Council approved various ordinances establishing rate increases for water and sewer charges from 1997 through 2018; however, difficulties were encountered in determining the exact amounts the rates should have been during 2017 and 2018 due to the ordinance language being vague and a lack of information presented in the Council minutes. In addition, the ordinances only included a percent increase for either water or sewer, no exact dollar amount for the rate charges were included except in the original rate ordinance dated 1997. As a result, difficulties were encountered in determining if the amounts in the billing system were the actual board approved rates and if utility revenues were being properly billed.

Additionally, the Fiscal Officer indicated the utility software company input various rate changes to the system; however, the software company stated they had no record of making changes to the utility rates. There were no reviews performed by someone independent of inputting the new utility rates to verify that all changes were properly applied.

Failure to properly document the change in rates for charges for services and to ensure the review of the changes made in the system could result in lost revenues for the Village.

The Village should establish and implement procedures to ensure that water and sewer rates approved by the Village Council are timely and properly entered into the billing system and to establish procedures to review the rate changes by someone independent of the person entering the rates into the billing system. The Village should also be more specific as to rate changes for utilities when preparing and approving ordinances.

## FINDING NUMBER 2018-006

### NONCOMPLIANCE

#### **Meetings of Council**

**Ohio Rev. Code § 121.22 (G)** states, in part, that “except as provided in divisions (G) (8) and (J) of this section, the members of a public body may hold an executive session only after a majority of a quorum of the public body determines, by a roll call vote, to hold an executive session and only at regular or special meetings for the sole purpose of the consideration of matters listed within the code.”

**Ohio Rev. Code § 733.27 (A)** states, in part, that “the village clerk shall attend all meetings of the legislative authority of the village, and keep a record of its proceedings and of all rules, bylaws, resolutions, and ordinances passed or adopted, which shall be subject to the inspection of all persons interested. In case of the absence of the clerk, such legislative authority shall appoint one of its members to perform the clerk’s duties.”

Per the minutes for 2018 and 2017, Council entered into several executive sessions during regular meetings held but did not document the following:

- a quorum voted to hold an executive session;
- the purpose for the executive session;
- any actions during the session; and
- when Council left the session.

Also, upon review of the minutes, they did not always contain accurate or complete information, and the meaning behind the discussions held was unclear. The Council indicated that they received the Cash Summary by Fund Report, Appropriations Report, Revenue Report, and Bank Reconciliations monthly, however, these reports were not acknowledged in the minutes.

Failure to properly document the content of Council meeting proceedings in the minutes and the vote to enter into executive session, the reason(s) for holding an executive session, any actions taken during the executive session, and properly concluding the session could result in potential violations of the Sunshine Laws and noncompliance of Ohio Revised Code.

Procedures should be implemented to ensure that the minutes of Council proceedings are clearly, accurately, and completely documented.

## FINDING NUMBER 2018-007

### MATERIAL WEAKNESS

#### **Bank Reconciliations**

Sound accounting practices require that when designing the public office’s system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

**FINDING NUMBER 2018-007  
(Continued)**

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate reconciliation may allow for accounting errors, theft and fraud to occur without timely detection. The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Village Council is responsible for reviewing the reconciliations and related support.

The Village completed bank to book reconciliations for each month during 2018 and 2017 on the UAN accounting system. The Village's monthly bank reconciliations from the period of January 1, 2017 through December 31, 2018 contained reconciling items that were erroneously included as outstanding receipts and payments in order to reconcile each month causing the reconciled bank balances as of December 31 of each year to be overstated by \$756 in 2018 and understated by \$1,041 in 2017. These items resulted in inaccurate bank reconciliations and financial information (i.e. UAN reports) provided to Council.

Also, the amounts per the adjusted financial statements were less than the revised reconciled bank balances. The total cash balances as reported on the financial statements did not agree to the reconciled bank balances by \$1,207 in 2018 and \$44,046 in 2017.

Adjustments were made to the financial statements and to the client's accounting records.

Finally, there were long outstanding checks still being included on the outstanding check list. If a check is older than 6 months, the Village should follow up on the check and either void and re-issue the check or place the money in an unclaimed fund. These long outstanding checks amounted to \$1,699 as of December 31, 2018.

Failure to accurately reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements. The above errors have been adjusted to the financial statements.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

**Official's Response to all the above findings:**

The Village has been made aware of the items in the audit and will work towards addressing the issues presented.

# Village Of Willshire

**315 State Street, PO Box 110, Willshire, Ohio**

**419-495-2704 | vofwillshire@gmail.com**

Amos Stauffer Jr., Mayor

Jodi Berry, Clerk/Treasurer

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS December 31, 2018 and 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	Improper postings of receipts and expenditures	Not corrected	Repeated as Finding number 2018-004
2016-002	Failure to monitor utility adjustments, delinquent accounts. Lack of segregation of duties over utility collections	Not corrected	Repeated as Finding number 2018-005

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF WILLSHIRE**

**VAN WERT COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 11/12/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)