

VILLAGE OF WILLSHIRE

Van Wert County

Regular Audit

January 1, 2009 through December 31, 2010

Fiscal Years Audited Under GAGAS: 2009 and 2010



**Caudill & Associates, CPA**

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# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Willshire, Van Wert County, prepared by Caudill & Associates, CPAs, for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Dave Yost  
Auditor of State

July 21, 2011

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VILLAGE OF WILLSHIRE  
VAN WERT COUNTY

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## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Willshire, Van Wert County, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Village of Willshire  
Van Wert County  
Independent Auditor's Report (Continued)

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Willshire, Van Wert County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The accompanying financial statements have been prepared assuming the Village will continue as a going concern. As discussed in Note 10 to the financial statements, the Village has incurred deficit spending in several funds and maintains deficit fund balances in the Water Funds that raise substantial doubt about its ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Caudill & Associates, CPA

Caudill & Associates, CPA  
April 20, 2011



**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

|  | <u>Governmental Fund Types</u> |                            |                             |                       | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|--------------------------------|----------------------------|-----------------------------|-----------------------|---|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> | <u>Permanent</u>      |   |
| <b>Cash Receipts:</b>  |                                |                            |                             |                       |   |
| Property and Local Taxes   | \$28,332                       | \$8,083                    | -                           | -                     | \$36,415                                |
| Municipal Income Tax   | 42,061                         | -                          | -                           | -                     | 42,061                                  |
| Intergovernmental  | 31,939                         | 91,312                     | 80,127                      | -                     | 203,378                                 |
| Charges for Services   | -                              | 28,700                     | -                           | -                     | 28,700                                  |
| Fines, Licenses and Permits  | 1,920                          | -                          | -                           | -                     | 1,920                                   |
| Earnings on Investments  | 38                             | 146                        | -                           | -                     | 184                                     |
| Miscellaneous  | 158                            | 1,890                      | 21,027                      | -                     | 23,075                                  |
|  | <u>104,448</u>                 | <u>130,131</u>             | <u>101,154</u>              | <u>-</u>              | <u>335,733</u>                          |
| <b>Cash Disbursements:</b>   |                                |                            |                             |                       |   |
| Current:   |                                |                            |                             |                       |   |
| Security of Persons and Property   | 21,113                         | 25,261                     | -                           | -                     | 46,374                                  |
| Public Health Services   | 3,718                          | 6,654                      | -                           | -                     | 10,372                                  |
| Leisure Time Activities  | -                              | 207                        | -                           | -                     | 207                                     |
| Transportation   | -                              | 6,828                      | -                           | -                     | 6,828                                   |
| General Government   | 59,148                         | -                          | -                           | -                     | 59,148                                  |
| Debt Service:  |                                |                            |                             |                       |   |
| Redemption of Principal  | -                              | -                          | 80,000                      | -                     | 80,000                                  |
| Interest and Fiscal Charges  | -                              | -                          | 555                         | -                     | 555                                     |
| Capital Outlay   | -                              | 72,332                     | 100,599                     | -                     | 172,931                                 |
|  | <u>83,979</u>                  | <u>111,282</u>             | <u>181,154</u>              | <u>-</u>              | <u>376,415</u>                          |
| Total Receipts Over/(Under) Disbursements  | <u>20,469</u>                  | <u>18,849</u>              | <u>(80,000)</u>             | <u>-</u>              | <u>(40,682)</u>                         |
| <b>Other Financing Receipts / (Disbursements):</b>   |                                |                            |                             |                       |   |
| Proceeds from Sale of Public Debt:   |                                |                            |                             |                       |   |
| Other Debt Proceeds  | -                              | -                          | 80,000                      | -                     | 80,000                                  |
| Sale of Fixed Assets   | -                              | 7,000                      | -                           | -                     | 7,000                                   |
| Advances-In  | 8,500                          | -                          | 8,500                       | -                     | 17,000                                  |
| Advances-Out   | (8,500)                        | -                          | (8,500)                     | -                     | (17,000)                                |
|  | <u>-</u>                       | <u>7,000</u>               | <u>80,000</u>               | <u>-</u>              | <u>87,000</u>                           |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | 20,469                         | 25,849                     | -                           | -                     | 46,318                                  |
| Fund Cash Balances, January 1  | 59,422                         | 158,312                    | -                           | 1,001                 | 218,735                                 |
| <b>Fund Cash Balances, December 31</b>   | <b><u>\$79,891</u></b>         | <b><u>\$184,161</u></b>    | <b><u>\$0</u></b>           | <b><u>\$1,001</u></b> | <b><u>\$265,053</u></b>                 |
| Reserve for Encumbrances, December 31  | <u>\$578</u>                   | <u>\$122</u>               | <u>-</u>                    | <u>-</u>              | <u>\$700</u>                            |

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

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

|  | <b>Proprietary<br/>Fund Type</b> |
|--|----------------------------------|
|  | <b>Enterprise</b>                |
| <b>Operating Cash Receipts:</b>  |                                  |
| Charges for Services   | \$301,321                        |
| Total Operating Cash Receipts  | 301,321                          |
| <b>Operating Cash Disbursements:</b>   |                                  |
| Personal Services  | 46,170                           |
| Employee Fringe Benefits   | 27,200                           |
| Contractual Services   | 72,471                           |
| Supplies and Materials   | 26,420                           |
| Other  | 292                              |
| Total Operating Cash Disbursements   | 172,553                          |
| Operating Income/(Loss)  | 128,768                          |
| <b>Non-Operating Cash Receipts:</b>  |                                  |
| Miscellaneous Receipts   | 1,443                            |
| Total Non-Operating Cash Receipts  | 1,443                            |
| <b>Non-Operating Cash Disbursements:</b>   |                                  |
| Capital Outlay   | 8,854                            |
| Redemption of Principal  | 62,602                           |
| Interest and Other Fiscal Charges  | 17,963                           |
| Total Non-Operating Cash Disbursements   | 89,419                           |
| Excess of Receipts Over/(Under) Disbursements<br>Before Interfund Transfers and Advances | 40,792                           |
| Transfers-In   | 904                              |
| Transfers-Out  | (904)                            |
| Net Receipts Over/(Under) Disbursements  | 40,792                           |
| Fund Cash Balances, January 1  | (95,929)                         |
| <b>Fund Cash Balances, December 31</b>   | <b>(\$55,137)</b>                |
| Reserve for Encumbrances, December 31  | \$1,358                          |

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

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

|  | <u>Governmental Fund Types</u> |                            |                       | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|--------------------------------|----------------------------|-----------------------|---|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Permanent</u>      |   |
| <b>Cash Receipts:</b>                            |                                |                            |                       |   |
| Property and Local Taxes                         | \$26,183                       | \$7,911                    | -                     | \$34,094                                |
| Municipal Income Tax                             | 41,095                         | -                          | -                     | 41,095                                  |
| Intergovernmental                                | 31,510                         | 30,710                     | -                     | 62,220                                  |
| Charges for Services                             | -                              | 29,100                     | -                     | 29,100                                  |
| Fines, Licenses and Permits                      | 2,571                          | -                          | -                     | 2,571                                   |
| Earnings on Investments                          | 21                             | 74                         | -                     | 95                                      |
| Miscellaneous                                    | 151                            | 3,640                      | -                     | 3,791                                   |
|  | <u>101,531</u>                 | <u>71,435</u>              | <u>-</u>              | <u>172,966</u>                          |
| <b>Total Cash Receipts</b>                       |                                |                            |                       |   |
|  | <u>101,531</u>                 | <u>71,435</u>              | <u>-</u>              | <u>172,966</u>                          |
| <b>Cash Disbursements:</b>                       |                                |                            |                       |   |
| Current:   |                                |                            |                       |   |
| Security of Persons and Property                 | 21,714                         | 34,180                     | -                     | 55,894                                  |
| Public Health Services                           | 2,720                          | 7,608                      | -                     | 10,328                                  |
| Transportation                                   | -                              | 11,860                     | -                     | 11,860                                  |
| General Government                               | 60,621                         | -                          | -                     | 60,621                                  |
| Capital Outlay                                   | -                              | 8,000                      | -                     | 8,000                                   |
|  | <u>85,055</u>                  | <u>61,648</u>              | <u>-</u>              | <u>146,703</u>                          |
| <b>Total Cash Disbursements</b>                  |                                |                            |                       |   |
|  | <u>85,055</u>                  | <u>61,648</u>              | <u>-</u>              | <u>146,703</u>                          |
| <b>Total Receipts Over/(Under) Disbursements</b> | <u>16,476</u>                  | <u>9,787</u>               | <u>-</u>              | <u>26,263</u>                           |
| <b>Fund Cash Balances, January 1</b>             | <u>42,946</u>                  | <u>148,525</u>             | <u>1,001</u>          | <u>192,472</u>                          |
| <b>Fund Cash Balances, December 31</b>           | <u><b>\$59,422</b></u>         | <u><b>\$158,312</b></u>    | <u><b>\$1,001</b></u> | <u><b>\$218,735</b></u>                 |
| <b>Reserve for Encumbrances, December 31</b>     | <u><b>\$576</b></u>            | <u><b>\$129</b></u>        | <u><b>-</b></u>       | <u><b>\$705</b></u>                     |

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

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

|  | <b>Proprietary<br/>Fund Type</b> |
|--|----------------------------------|
|  | <b>Enterprise</b>                |
| <b>Operating Cash Receipts:</b>  |                                  |
| Charges for Services   | \$276,936                        |
| Total Operating Cash Receipts  | 276,936                          |
| <b>Operating Cash Disbursements:</b>   |                                  |
| Personal Services  | 42,995                           |
| Employee Fringe Benefits   | 24,980                           |
| Contractual Services   | 80,775                           |
| Supplies and Materials   | 35,735                           |
| Other  | 700                              |
| Total Operating Cash Disbursements   | 185,185                          |
| Operating Income/(Loss)  | 91,751                           |
| <b>Non-Operating Cash Receipts:</b>  |                                  |
| Miscellaneous Receipts   | 286                              |
| Total Non-Operating Cash Receipts  | 286                              |
| <b>Non-Operating Cash Disbursements:</b>   |                                  |
| Capital Outlay   | 26,861                           |
| Redemption of Principal  | 61,532                           |
| Interest and Other Fiscal Charges  | 19,557                           |
| Total Non-Operating Cash Disbursements   | 107,950                          |
| Excess of Receipts Over/(Under) Disbursements<br>Before Interfund Transfers and Advances | (15,913)                         |
| Transfers-In   | 1,206                            |
| Transfers-Out  | (1,206)                          |
| Net Receipts Over/(Under) Disbursements  | (15,913)                         |
| Fund Cash Balances, January 1  | (80,016)                         |
| <b>Fund Cash Balances, December 31</b>   | <b>(\$95,929)</b>                |
| Reserve for Encumbrances, December 31  | \$1,552                          |

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

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Willshire, Van Wert County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street maintenance and repair, water and sewer utilities, park operations, and fire protection services. The Village contracts with the Van Wert County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

The Village values certificates of deposit at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

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

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Ball Park Fund – This fund receives grant monies and debt proceeds. The monies are being used to construct a ball park.

**4. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village’s programs. 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.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

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

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

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. .

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**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.

**2. Equity in Pooled Deposits and Investments**

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

|                         | <u>2010</u>      | <u>2009</u>      |
|-------------------------|------------------|------------------|
| Demand deposits         | \$187,586        | \$100,476        |
| Certificates of deposit | 22,330           | 22,330           |
| Total deposits          | <u>\$209,916</u> | <u>\$122,806</u> |

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

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

| Fund Type        | Budgeted<br>Receipts | Actual<br>Receipts | Variance          |
|------------------|----------------------|--------------------|-------------------|
| General          | \$96,752             | \$104,448          | \$7,696           |
| Special Revenue  | 146,089              | 137,131            | (8,958)           |
| Capital Projects | 185,400              | 181,154            | (4,246)           |
| Enterprise       | 329,400              | 303,668            | (25,732)          |
| Total            | <u>\$757,641</u>     | <u>\$726,401</u>   | <u>(\$31,240)</u> |

2010 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type        | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance        |
|------------------|----------------------------|---------------------------|-----------------|
| General          | \$96,560                   | \$84,557                  | \$12,003        |
| Special Revenue  | 148,088                    | 111,404                   | 36,684          |
| Capital Projects | 185,400                    | 181,154                   | 4,246           |
| Enterprise       | 310,591                    | 264,234                   | 46,357          |
| Total            | <u>\$740,639</u>           | <u>\$641,349</u>          | <u>\$99,290</u> |

2009 Budgeted vs. Actual Receipts

| Fund Type       | Budgeted<br>Receipts | Actual<br>Receipts | Variance          |
|-----------------|----------------------|--------------------|-------------------|
| General         | \$125,848            | \$101,531          | (\$24,317)        |
| Special Revenue | 75,548               | 71,435             | (4,113)           |
| Enterprise      | 306,279              | 278,428            | (27,851)          |
| Total           | <u>\$507,675</u>     | <u>\$451,394</u>   | <u>(\$56,281)</u> |

2009 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type       | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance        |
|-----------------|----------------------------|---------------------------|-----------------|
| General         | \$105,200                  | \$85,631                  | \$19,569        |
| Special Revenue | 74,650                     | 61,777                    | 12,873          |
| Enterprise      | 338,600                    | 295,893                   | 42,707          |
| Total           | <u>\$518,450</u>           | <u>\$443,301</u>          | <u>\$75,149</u> |



**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**5. Local Income Tax**

The Village levies a municipal income tax of one 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. The income is credited to the General Fund.

**6. Debt**

Debt outstanding at December 31, 2010 was as follows:

|  |                  |       |
|--|------------------|-------|
| Ohio Water Development Authority Loan 2920 | \$240,022        | 2.00% |
| Ohio Water Development Authority Loan 2921 | \$140,373        | 2.00% |
| Ohio Public Works Commission               | \$100,997        | 0.00% |
| USDA/RD Loan                               | \$186,603        | 4.75% |
| First Financial Bank Loan                  | 4,331            | 5.70% |
| Total                                      | <u>\$672,326</u> |       |

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

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

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

The Ohio Public Works Commission loan is for the construction of a new water plant facility. The loan was authorized July 1, 1996, with the first payment due July 1, 1999 and payable in semi-annual installments of \$5,941, with revenues generated from water billings over a period of 20 years. The Village does not have any plans to retire this debt earlier than its scheduled maturity date.

The USDA/RD loan is for the construction of a new water plant facility and is considered as mortgage revenue bonds. The loan was authorized March 8, 1999, with the first payment due March 1, 2000 and payable in annual installments with revenues generated from water billings over a period of 40 years. The Village does not have any plans to retire this debt earlier than its scheduled maturity date.

The First Financial Bank loan is for cash flow purposes. The Village is under fiscal emergency and was in need of adequate cash flow. The loan was authorized January 10, 2005 and payable in monthly installments of \$400 which includes interest, with revenues generated from water billings over a 1 year period. The Village does not have any plans to retire this debt earlier than its scheduled maturity date.

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

| Year ending December 31: | OWDA Loan<br>2020 | OWDA Loan<br>2021 | OPWC<br>Loan     | USDA/RD<br>Loan  | First Financial<br>Bank Loan |
|--------------------------|-------------------|-------------------|------------------|------------------|------------------------------|
| 2011                     | \$39,864          | \$11,973          | \$11,882         | \$11,964         | \$5,327                      |
| 2012                     | 39,864            | 11,973            | 11,882           | 12,016           | -                            |
| 2013                     | 39,864            | 11,973            | 11,882           | 11,690           | -                            |
| 2014                     | 39,864            | 11,973            | 11,882           | 11,998           | -                            |
| 2015                     | 39,864            | 11,973            | 11,882           | 12,027           | -                            |
| 2016-2020                | 59,800            | 59,867            | 41,587           | 59,880           | -                            |
| 2021-2025                | -                 | 41,909            | -                | 59,928           | -                            |
| 2026-2030                | -                 | -                 | -                | 59,908           | -                            |
| 2031-2035                | -                 | -                 | -                | 59,921           | -                            |
| 2036-2040                | -                 | -                 | -                | 46,157           | -                            |
| Total                    | <u>\$259,120</u>  | <u>\$161,641</u>  | <u>\$100,997</u> | <u>\$345,489</u> | <u>\$5,327</u>               |

In addition to the debt described above, the Village entered into a short-term debt agreement with First Financial Bank to fund the construction of a new ball park. The Village received \$80,000 from First Financial Bank in July of 2010 in anticipation of a Department of Natural Resources grant in the same amount. The entire principal amount plus interest was due upon receipt of the grant monies. The Village repaid \$80,000 in principal and \$555 in interest in August 2010.

**7. Retirement Systems**

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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**8. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**9. Transfers**

Transfers are used to move revenues from funds that statute or budget requires to collect them to funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets. In 2009 and 2010, the Village transferred \$1,206 and \$904, respectively from the Water Operating Fund to the Water Improvement Fund in order to increase the fund balance for future improvement costs.

**10. Going Concern**

At the request of the Mayor of the Village of Willshire, the Auditor of State's Office conducted an analysis of the Village to determine if the fiscal condition of the Village had deteriorated to the point that a declaration of fiscal watch or fiscal emergency was appropriate. The analysis identified the existence of two fiscal emergency conditions and declared the Village to be in fiscal emergency. The declaration of fiscal emergency was based on significant deficits in the General and Water Operating funds as of December 31, 2004 and November 30, 2005. The declaration of emergency prompted the creation of a Financial Planning and Supervision Commission to oversee and direct the Village's financial recovery. By statute, the Village Council must adopt a recovery plan and the plan to the Commission for approval. The Village has adopted the necessary plans for 2009 and 2010, which have been approved by the Commission. The recovery plan forecast indicates that the fund deficits identified above will be eliminated in 2014.

**11. Miscellaneous Receipts**

During 2010, the Village reported \$21,027 in miscellaneous receipts within the Capital Projects Funds. These receipts are primarily comprised of donations received from local organizations to fund the Village's Ball Park project.



## Caudill & Associates, CPA

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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 Willshire  
Van Wert County  
323 State Street  
P.O. Box 110  
Willshire, Ohio 45898

To the Village Council:

We have audited the financial statements of the Village of Willshire, Van Wert County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 20, 2011. We noted that there was substantial doubt about its ability to continue as a going concern. The Auditor of State declared the Village to be in fiscal emergency on December 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying schedule of findings and responses to be a material weakness.

Village of Willshire  
Van Wert County  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards* (Continued)

### **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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 20, 2011.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Village Council, others within the Village and the Auditor of State. We intend it for no one other than these specified parties.

*Caudill & Associates, CPA*

Caudill & Associates, CPA  
April 20, 2011

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-01**

**Material Weakness – System Discrepancies**

During 2009 and 2010, the Village accounting system (UAN) did not properly reflect all budgetary data approved by the Village Council.

This may lead to deficit spending or other budgetary compliance issues. It may also lead to the misappropriation of the Village's assets.

We recommend the Village ensure the accounting system accurately reflects all budgetary activity approved by the Village Council.

**Village Response:**

No response.

**VILLAGE OF WILLSHIRE  
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|---|
| 2008-01        | Noncompliance citation – ORC 5705.41(D)   | No               | Entity in fiscal emergency  |
| 2008-02        | Significant deficiency – Time sheet supervision                                       | Yes              | Finding no longer valid   |
| 2008-03        | Noncompliance citation/<br>significant deficiency/<br>material weakness – ORC 5705.10 | Yes              | Finding no longer valid   |
| 2008-04        | Noncompliance citation – ORC 5705.34  | Yes              | Finding no longer valid   |
| 2008-05        | Noncompliance citation – ORC 5705.36  | No               | Entity in fiscal emergency  |
| 2008-06        | Noncompliance citation – ORC 5705.39  | No               | Entity in fiscal emergency  |
| 2008-07        | Noncompliance citation – ORC 5705.41(B)   | Yes              | Entity in fiscal emergency  |
| 2008-08        | Significant deficiency/<br>material weakness – Income tax reconciliations             | Yes              | Finding no longer valid   |
| 2008-09        | Noncompliance citation/<br>significant deficiency/<br>material weakness – ORC 733.28  | Yes              | Finding no longer valid   |
| 2008-10        | Significant deficiency/<br>material weakness – Payroll reconciliations                | Yes              | Finding no longer valid   |
| 2008-11        | Material weakness – Segregation of duties   | No               | Finding no longer valid   |

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# Dave Yost • Auditor of State

VILLAGE OF WILLSHIRE

VAN WERT COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 2, 2011