



Dave Yost • Auditor of State

**Village of Willshire
Van Wert County**

Financial Emergency Termination

Local Government Services

Village of Willshire, Van Wert County

Fiscal Emergency Termination

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Appendix A
Village of Willshire Financial Forecast
For the Years Ending December 31, 2015, through December 31, 2019

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CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the Village of Willshire, the Auditor of State performed an analysis of the Village of Willshire to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the Village of Willshire no longer meets the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the Village of Willshire and its role in the operation of the Village of Willshire is terminated as of March 31, 2015.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Amos Stauffer, Mayor of the Village of Willshire; Sharon Whitaker, President Pro-Tempore of Village Council; John Kasich, Governor; Timothy Keen, Director of the Office of Budget and Management; Josh Mandel, Treasurer of State; and Nancy Dixon, Van Wert County Auditor.

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

Dave Yost
Auditor of State

March 31, 2015

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Village of Willshire, Van Wert County

Report on the Termination of the Village of Willshire
Financial Planning and Supervision Commission

Report on the Termination of the Willshire Financial Planning and Supervision Commission

At the request of the Village of Willshire Financial Planning and Supervision Commission (the Commission), Van Wert County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Revised Code should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, and no new emergency conditions have occurred...; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”.

Results of our work under Section 118.27(A) of the Revised Code are as follows:

Pages four through twelve of the report indicate that the Village has effectively implemented a financial accounting and reporting system in accordance with Section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under Section 118.04 of the Revised Code. This analysis can be found beginning on page twelve.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with Section 118.06 of the Revised Code. Specific conclusions can be found on page seventeen.

We examined and issued a nonadverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated.

It is understood that this report’s determination is for the use of the Financial Planning and Supervision Commission of the Village of Willshire, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the Village of Willshire, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

Village of Willshire, Van Wert County

Report on the Termination of the Village of Willshire
Financial Planning and Supervision Commission

Section 1 - Financial Accounting and Reporting System

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of Willshire (the Village) and issued a Report on Accounting Methods, dated May 11, 2007. The report identified areas where the Village's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report on Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct the issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary System

Auditor of State Comment from Report on Accounting Methods

In accordance with section 5705.30 of the Revised Code, all subdivisions must submit a tax budget to the County Budget Commission by July 20 for the subsequent year. For the 2006 budget year, the Village submitted the tax budget on July 16, 2005, and for the 2007 budget year, the Village submitted the tax budget on August 3, 2006. The Village should file its tax budget in accordance with the guidelines established by State statute. The failure to submit the tax budget timely may result in a loss of local government monies.

Implemented

The Village prepares a tax budget each year prior to July 15 and submits the tax budget to the County Budget Commission by July 20.

Auditor of State Comment from Report on Accounting Methods

The Clerk Treasurer prepares the tax budget based on the prior year's tax budget. Little consideration is given to projected increases or decreases needed in receipts or disbursements or the capital requirements for the upcoming year. In preparing the tax budget, consideration must be given to the estimates for current year receipts and disbursements and the factors which may require increases or decreases to those amounts in the upcoming year. Discussion with departments should identify other factors affecting potential receipts and disbursements as well as identify capital needs for the upcoming year. Other known factors, such as impacts resulting from the condition of the local economy, should also be considered when preparing the tax budget.

Implemented

Receipts and disbursements of the prior year, current year activity, discussion with departments, and factors which may affect the upcoming year are considered when compiling the tax budget.

Village of Willshire, Van Wert County

Report on the Termination of the Village of Willshire
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

For 2006, the Village did not adopt a permanent appropriation ordinance until February 6, 2006. The Village did not adopt a temporary appropriation ordinance. Section 5705.38(A) states that on or about the first day of each year, the taxing authority of each subdivision or other taxing unit shall pass an annual appropriation measure. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year. The Village must approve either a temporary or permanent appropriation ordinance before any disbursements may be made for the year.

Implemented

The Village adopts a permanent appropriation ordinance each year prior to January 1.

Auditor of State Comment from Report on Accounting Methods

Section 5705.39 of the Revised Code requires that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure, as certified by the Budget Commission. The Clerk Treasurer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Village Council upon request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.

Implemented

Appropriations are compared to estimated resources each month and prior to the approval of any increase of appropriations.

Auditor of State Comment from Report on Accounting Methods

The Village does not compare actual receipts to estimated resources during the year or request an amended certificate of estimated resources when increases or decreases are appropriate as authorized by section 5705.36 of the Revised Code. The Clerk Treasurer should routinely compare estimated to actual receipts and determine if requesting an amended certificate is appropriate. The Clerk Treasurer should document the comparison of actual receipts to estimated receipts and present this comparison to the Village Council prior to requesting an amended certificate of estimated resources from the County Auditor.

Implemented

The Clerk Treasurer reviews the Revenue Status report monthly comparing actual receipts to estimated resources. If an increase or decrease in the amended certificate is needed, the reason and amount of the increase or decrease is reviewed with Village Council and the request is submitted to the County Auditor.

Village of Willshire, Van Wert County

Report on the Termination of the Village of Willshire
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The Village does not compare cash disbursements plus encumbrances to available appropriations prior to certifying any purchase obligations and to determine whether any adjustments are needed to the amounts appropriated during the year. Section 5705.41(B) of the Revised Code states that no expenditure of money may be made unless it has been appropriated. The Clerk Treasurer should periodically review the Appropriation Status Report to determine if amounts appropriated will be sufficient for the remainder of the year and in the appropriate line item appropriation prior to certifying any purchase obligations.

Implemented

Prior to the certification of any purchase obligation, the Clerk Treasurer reviews the amounts appropriated for the applicable line item account to confirm that there are sufficient available appropriations or whether there needs to be a request made to Village Council for an amendment to appropriations.

Chart of Fund and Accounts Codes

Auditor of State Comment from Report on Accounting Methods

Since the Village began using UAN in July 2006, the Clerk Treasurer has compiled a new chart of accounts. The chart of accounts needs to be distributed and explained to Village departments and used consistently for all financial transactions.

Implemented

The Village departments have been provided copies of the chart of accounts.

Receipt Transactions

Auditor of State Comment from Report on Accounting Methods

Deposits are not made daily. Section 9.38 of the Revised Code requires the deposit of all public monies the business day next following the day of receipt or, if the amount is less than \$1,000, the legislative authority may adopt a policy permitting a different time period, not to exceed three business days next following the day of receipt for making such deposits. The policy shall include provisions and procedures to safeguard the public monies until they are deposited.

Implemented

Village Council has adopted an ordinance allowing the Clerk Treasurer to make deposits within three business days of receipt if the amount is less than \$1,000. Deposits are generally made daily or are made within the guidelines of Village ordinance.

Auditor of State Comment from Report on Accounting Methods

The Clerk Treasurer determines how past due payments and over payments on utility bills are applied to the water and sewer funds. The Village should develop a policy regarding the distribution of these payments.

Village of Willshire, Van Wert County

Report on the Termination of the Village of Willshire
Financial Planning and Supervision Commission

Implemented

The new utility software purchased by the Village applies past due payments and over payments on utility bills based on the balance due.

Auditor of State Comment from Report on Accounting Methods

To ensure a comprehensive assessment of income taxes to all residents and businesses, the Income Tax Administrator should request a listing of utility customers approximately semi-annually from the Clerk Treasurer to assure completeness of the list of taxpayers. When new residents are identified, a letter should be sent explaining the requirement to file a return.

Implemented

The Village no longer has an Income Tax Administrator. The Village has a contract with the Regional Income Tax Authority (RITA) for income tax administration and collection. The Clerk Treasurer sends RITA a listing of new utility customers.

Auditor of State Comment from Report on Accounting Methods

The Clerk Treasurer should secure customer automatic withdrawal payment authorization forms in a locked filing cabinet to prevent possible identify theft for utility customers.

Implemented

The customer automatic withdrawal payment authorization forms are placed in a file folder and locked in a filing cabinet.

Auditor of State Comment from Report on Accounting Methods

The Village has not developed any operating procedures related to the new income tax. This should detail the internal procedures to be followed for administering the tax such as methods used in identifying taxpayers, in handling delinquent and non-filing taxpayers, in the receipting and depositing process, and in the types and frequency of information and reports to be provided to the Village Council and Clerk Treasurer.

Implemented

The Village has a contract with the Regional Income Tax Authority for income tax administration and collection. The contract outlines administration of the tax, collection of current and delinquent taxes, and the electronic deposit of receipts to the Village.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods

Ohio Administrative Code requires purchase orders to be used to initiate purchase commitments and to encumber funds against the applicable appropriation accounts. Purchases should be certified indicating sufficient unencumbered appropriations exist prior to the purchase of goods or services.

Village of Willshire, Van Wert County

Report on the Termination of the Village of Willshire
Financial Planning and Supervision Commission

Implemented

The Village is using purchase orders to initiate purchase commitments and to encumber funds against the applicable appropriation account.

Auditor of State Comment from Report on Accounting Methods

There is no preapproval process in place to initiate a purchase. Documented approvals do not occur until the time the invoice needs to be paid at which time it is approved by Village Council. All purchases should be approved by the Mayor prior to the order for goods or services being placed.

Implemented

Employees of the Village prepare a purchase requisition which is signed by the Mayor and given to the Clerk Treasurer to determine if sufficient amounts are available prior to the order for goods or services being placed.

Auditor of State Comment from Report on Accounting Methods

The Clerk Treasurer does not utilize a Then and Now Certificate when employees acquire goods without prior approval and certification.

Implemented

The Village has not needed to use a Then and Now Certificate. All purchases have prior approval and certification on regular or blanket purchase orders.

Auditor of State Comment from Report on Accounting Methods

A copy of the purchase order should be sent to every vendor.

Implemented

The Clerk Treasurer provides a copy of the purchase order to the vendor when requested.

Auditor of State Comment from Report on Accounting Methods

The Village does not require new vendors to submit information before a purchase order is completed. The Village should not issue purchase orders to a vendor until all appropriate information about the vendor is received, including an IRS Form W-9.

Implemented

The Clerk Treasurer requires new vendors to provide an IRS Form W-9.

Village of Willshire, Van Wert County

Report on the Termination of the Village of Willshire
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The Village does not use the Auditor of State Findings for Recovery Database when entering into contracts. Section 9.24 of the Revised Code prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State if that finding is unresolved.

Implemented

The Village has not had any contracts that require the review of the Auditor of State Findings for Recovery Database.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods

Invoices are being paid without any verification that goods and services were received, that goods and services received were as ordered (items, quantities, and costs), or that purchases were authorized. The Village must establish a process by which purchases are properly authorized, received, and verified before invoices are paid.

Implemented

The Village is using purchase requisitions to ensure purchases are properly authorized and purchase orders to certify that appropriations are available. Invoices for goods and services received are signed by the departments confirming the accuracy of items, quantities, and costs.

Payroll Processing

Auditor of State Comment from Report on Accounting Methods

All timesheets or timecards are signed by the employee but should also be approved by the respective supervisor or the Mayor in the absence of a supervisor.

Implemented

Timesheets are signed by the employee and approved by the Mayor.

Auditor of State Comment from Report on Accounting Methods

The Village should require vacation leave forms to be completed by the water/sewer operator and approved before vacation is taken. This form should be filed with the payroll records. Vacation leave balances should be maintained on the computer software.

Implemented

Only one employee is entitled to vacation and is paid annually in December for accumulated vacation time. He does not take vacation during the year. Leave balances are maintained on the computer software.

Village of Willshire, Van Wert County

Report on the Termination of the Village of Willshire
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The Village Council should periodically review the actual time employees work in various departments to ensure the amount of time allocated to the various funds and departments is reasonable.

Implemented

Timesheets are provided to Village Council each month for their review.

Auditor of State Comment from Report on Accounting Methods

The Village does not have an employee leave policy.

Implemented

Village Council has adopted an ordinance outlining the employee leave policy.

Inventory of Capital Assets

Auditor of State Comment from Report on Accounting Methods

The Village does not maintain an inventory of capital assets. Without an inventory of capital assets, the Village is unable to determine if there is adequate insurance coverage, whether assets have been lost or stolen, whether idle assets exist that can be sold to generate additional revenue, and whether assets are used in the most efficient manner. The Village should develop an inventory of all capital assets and update it annually.

Implemented

The Village has prepared an inventory of all property and equipment of the Village. The inventory is maintained in the UAN Inventory system.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods

The Clerk Treasurer does not attend annual training provided by the State Treasurer's Office for investments. Although the Clerk Treasurer is exempt from this training because they have no investments, the Clerk Treasurer is required to file an exemption form. This form should be filed in the future.

Implemented

The Clerk Treasurer has filed the exemption form with the State Treasurer's Office.

Auditor of State Comment from Report on Accounting Methods

The Village should have a policy which defines the method of allocating interest earnings among the funds required to receive interest as outlined in the Ohio Constitution and State statutes, such as making the allocation based on the fund balance of each fund at month end compared to the total for all funds receiving interest.

Village of Willshire, Van Wert County

Report on the Termination of the Village of Willshire
Financial Planning and Supervision Commission

Implemented

Village Council adopted a policy on the allocation of interest revenue.

Financial Reporting

Auditor of State Comment from Report on Accounting Methods

Village Council has not defined, by ordinance, the type or frequency of financial information they expect to receive. The Clerk Treasurer should give to Village Council a monthly statement that provides the beginning and ending cash balances and the month to date and the year to date receipts and disbursements for each fund.

Implemented

Village Council has adopted an ordinance that requires the Cash Summary by Fund, Revenue Status, and Appropriation Status reports be provided to them monthly by the Clerk Treasurer.

Auditor of State Comment from Report on Accounting Methods

The Clerk Treasurer should provide a revenue status and appropriation status report from the UAN system to Village Council on a monthly basis. These reports provide a comparison of estimated receipts to actual receipts and the percent collected to date as well as the appropriations and disbursements and the percent spent to date. The reports demonstrate compliance with the adopted budget.

Implemented

The Clerk Treasurer provides to Village Council, each month, a cash summary report identifying by fund, the beginning of year fund balance, year to date receipts and expenditures, and the ending fund balance; a revenue status report identifying the estimated resources, by fund, by revenue category, year to date receipts, and the percent of receipts collected year to date when compared to the estimate; and an appropriation status report identifying any prior year carryover balance, current year appropriations, amounts encumbered, the unencumbered fund balance, the amount spent year to date, and the percent spent year to date when compared to the amount appropriated.

Recording Official Proceedings

Auditor of State Comment from Report on Accounting Methods

The Village has not established a records commission as required by Section 149.39 of the Revised Code.

Implemented

The Village has established a records commission and is in the process of inventorying of all of the Village's records.

Village of Willshire, Van Wert County

Report on the Termination of the Village of Willshire
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The minutes reflect occasions in which the Village Council has entered into executive session. According to section 121.22 of the Revised Code, the Village Council may only enter into executive session to discuss the following subjects: to consider the appointment, employment, dismissal, discipline, promotion, demotion, or compensation of a public employee or official, or to consider the investigation of charges or complaints against such a person, unless asked by such employee or official to be held in public; to consider the purchase or sale of property if premature disclosure would give an unfair advantage to a person whose personal private interest is adverse to public interests; attorney conferences concerning pending or imminent court action; prepare for conducting or reviewing employee negotiations and bargaining; matters requiring confidentiality by law; and security arrangements. The minutes do not reflect the general subject matter of discussion during executive session.

Implemented

The minutes include the purpose of executive sessions.

Auditor of State Comment from Report on Accounting Methods

The Village fails to follow the publication requirements outlined in sections 731.20, 731.21, and 731.22 of the Revised Code.

Implemented

The Village is following all publication requirements.

Audit Report and Management Letters

The Village Council and Officials receive a compliance and management letter at the conclusion of each annual audit. The letters that accompanied the December 31, 2011, and 2012 audit identified no noncompliance issues but made several recommendations for improving financial record keeping and reporting.

Management letter recommendations included the notification to the Van Wert County Auditor on modifications of estimated revenues and appropriations, the approval of pay rates by Village Council, the approval of timesheets by a supervisor or Village Council, the signing of minutes, the elimination of old outstanding checks, dual signatures on checks, and the deposit of receipts within twenty-four hours unless approved by Village Council. All of the recommendations were implemented.

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(3)(b) of the Ohio Revised Code, the Village shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

Village of Willshire, Van Wert County

Report on the Termination of the Village of Willshire
Financial Planning and Supervision Commission

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

The debt issues, the payment dates, and the amounts due are presented below:

<u>Debt Issue</u>	<u>Payment Date</u>	<u>Amount Due</u>	<u>Payments 30 Days Past Due at December 31, 2014</u>
<u>Mortgage Revenue Bonds</u>			
USDA/RD Water Treatment Plant Construction	March 1, 2014	\$3,600	\$0
<u>Ohio Water Development Authority Loans</u>			
OWDA Water Treatment Plant Construction	January 1, 2014	4,864	0
	July 1, 2014	4,863	0
OWDA Wastewater Treatment Plant	January 1, 2014	18,599	0
	July 1, 2014	18,598	0
<u>Ohio Public Workers Commission Loan</u>			
OPWC Wells and Water Treatment Plant Facilities	January 1, 2014	5,941	0
	July 1, 2014	5,941	0

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code. No default on any debt obligation for more than thirty days existed at December 31, 2014.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or
- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

Village of Willshire, Van Wert County

Report on the Termination of the Village of Willshire
Financial Planning and Supervision Commission

We obtained an understanding of the payroll process through discussion with the Clerk Treasurer. We obtained payroll reports and pay rate legislation. We reviewed bank statements to determine whether Village employees were paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Revised Code as of December 31, 2014. All employees have been paid in amounts and at the times required by ordinance.

Condition Three - Increase in Minimum Tax Levy

Section 118.03(A)(3) of the Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Van Wert County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the Village for 2013 or 2014, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Van Wert County Budget Commission indicated that the Commission had not taken any action for tax year 2013 or 2014 to increase the inside millage of the Village.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as of December 31, 2014.

Condition Four - Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year end balance in the general fund and in respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

Village of Willshire, Van Wert County

Report on the Termination of the Village of Willshire
Financial Planning and Supervision Commission

We prepared a schedule of accounts payable as of December 31, 2014, for all funds that were due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2014, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties. There were no payables over thirty days past due in any fund.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Revised Code as of December 31, 2014. There were no payables over thirty days past due.

Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at December 31, 2014, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code. There were no deficit fund balances at December 31, 2014.

Condition Six - Treasury Balances

Section 118.03(A)(6) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village's reconciled bank balance to its statement of cash position by fund for all funds as of December 31, 2014, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all cash balances.

Village of Willshire, Van Wert County

Report on the Termination of the Village of Willshire
Financial Planning and Supervision Commission

Schedule I

Treasury Balance
Ohio Revised Code Section 118.03(A)(6)
As of December 31, 2014

	Amounts at December 31, 2014
Bank Cash Balance	
Peoples Bank Checking	\$450,874
Peoples Bank Certificate of Deposit	24,266
Peoples Bank Savings Account	1,014
Less Reconciling Factors for	
Outstanding Checks	(2,341)
	<hr/>
Total Treasury Balance	473,813
Positive Fund Balances	
General	99,020
Street Maintenance	27,822
State Highway	29,541
Cemetery	19,990
Tree	1,934
FEMA	1,955
Permissive Motor Vehicle License	18,716
Fire	77,060
Mausoleum Repair	1,233
Water Operating	138,870
Wastewater Operating	35,056
Water Improvement	13,975
Guarenteed Deposit	7,640
Cemetery Plot	1,001
Total Positive Fund Balances	<hr/>
	473,813
	<hr/>
Treasury Deficiency	\$0
	<hr/> <hr/>

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of December 31, 2014. The treasury balance less the positive fund cash balances as of December 31, 2014, did not exceed one-sixth of the treasury receipts for the year.

Village of Willshire, Van Wert County

Report on the Termination of the Village of Willshire
Financial Planning and Supervision Commission

Section 3 - Financial Plan Objectives

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

Section 4 - Financial Forecast

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under Section 118.27(A)(3)(d) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a nonadverse report. The financial forecast is contained in Appendix A.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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APPENDIX A

**Village of Willshire
Van Wert County**

Financial Forecast

For the Years Ending December 31, 2015 Through December 31, 2019

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Village of Willshire, Van Wert County

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Dave Yost • Auditor of State

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

Based upon the requirement set forth in section 118.27(A)(3)(d) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statement of revenues, expenditures, and changes in fund balance of the various funds of the Village of Willshire, for the five years ending December 31, 2019. These statements are presented on the budget basis of accounting used by the Village of Willshire rather than on generally accepted accounting principles. The Village of Willshire's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the Village of Willshire and the Financial Planning and Supervision Commission of Willshire and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

Dave Yost
Auditor of State

January 12, 2015

Village of Willshire, Van Wert County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2012, Through 2014, Actual
and Ending December 31, 2015, Through 2019, Forecasted

General Fund

	2012 Actual	2013 Actual	2014 Actual
<u>Revenues</u>			
Property Taxes	\$28,500	\$26,600	\$28,500
Income Taxes	48,200	45,700	48,400
Intergovernmental	26,100	22,200	21,900
Licenses and Permits	1,300	3,200	3,100
Interest	100	200	300
Other Revenues	4,300	1,800	2,000
Total Revenues	108,500	99,700	104,200
<u>Expenditures</u>			
Security of Persons and Property			
Fire Department			
Contractual Services	9,500	9,500	9,700
Capital Outlay	10,700	800	0
Total Fire Department	20,200	10,300	9,700
Street Lighting			
Contractual Services	8,100	7,500	6,900
EMS			
Contractual Services	5,000	5,000	5,000
Total Security of Persons and Property	33,300	22,800	21,600
Public Health Services			
County Health Department			
Contractual Services	2,500	2,500	2,200
Other Public Health Services			
Contractual Services	200	0	0
Total Public Health Services	2,700	2,500	2,200
Leisure Time Activities			
Parks			
Capital Outlay	8,300	0	12,500
General Government			
Mayor			
Personal Services	2,600	2,800	3,100
Council			
Personal Services	4,600	4,500	5,300
Clerk/Treasurer			
Personal Services	11,400	11,100	11,500
Contractual Services	4,200	5,500	5,800
Supplies and Materials	1,200	1,700	800
Total Clerk/Treasurer	16,800	18,300	18,100

2015 Forecasted	2016 Forecasted	2017 Forecasted	2018 Forecasted	2019 Forecasted
\$26,600	\$26,600	\$26,600	\$26,600	\$26,600
52,300	53,400	54,400	55,500	56,600
22,800	22,800	22,800	22,800	22,800
2,400	2,400	2,400	2,400	2,400
200	200	200	200	200
0	0	0	0	0
104,300	105,400	106,400	107,500	108,600
9,900	10,000	10,000	10,000	10,000
0	0	0	0	0
9,900	10,000	10,000	10,000	10,000
8,100	8,800	9,500	10,200	11,000
5,300	5,500	5,600	5,800	6,000
23,300	24,300	25,100	26,000	27,000
2,300	2,500	2,600	2,700	2,800
0	0	0	0	0
2,300	2,500	2,600	2,700	2,800
2,000	2,000	2,000	2,000	2,000
2,800	2,800	2,800	2,800	2,800
4,900	4,900	4,900	4,900	4,900
11,900	12,200	12,600	12,900	13,300
7,600	7,900	8,100	8,400	8,700
1,000	1,100	1,100	1,100	1,200
20,500	21,200	21,800	22,400	23,200

(continued)

Village of Willshire, Van Wert County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2012, Through 2014, Actual
and Ending December 31, 2015, Through 2019, Forecasted
(continued)

General Fund

	2012 Actual	2013 Actual	2014 Actual
<u>Expenditures (continued)</u>			
General Government (continued)			
Lands/Buildings			
Personal Services	\$3,700	\$1,500	\$1,400
Contractual Services	22,200	24,400	22,300
Supplies and Materials	2,800	3,800	3,700
Capital Outlay	3,300	9,000	7,300
	<u>32,000</u>	<u>38,700</u>	<u>34,700</u>
Total Lands/Buildings			
Property Tax Collection Fees			
Contractual Services	1,600	1,300	1,900
	<u>1,600</u>	<u>1,300</u>	<u>1,900</u>
Audit Fees			
Contractual Services	0	5,500	0
	<u>0</u>	<u>5,500</u>	<u>0</u>
Solicitor			
Contractual Services	2,700	2,000	800
	<u>2,700</u>	<u>2,000</u>	<u>800</u>
Income Tax			
Contractual Services	3,000	2,800	3,200
	<u>3,000</u>	<u>2,800</u>	<u>3,200</u>
Other General Government			
Contractual Services	10,000	0	0
	<u>10,000</u>	<u>0</u>	<u>0</u>
Total General Government	<u>73,300</u>	<u>75,900</u>	<u>67,100</u>
Total Expenditures	<u>117,600</u>	<u>101,200</u>	<u>103,400</u>
Changes in Fund Balance	(9,100)	(1,500)	800
Fund Balance Beginning of Year	<u>108,800</u>	<u>99,700</u>	<u>98,200</u>
Fund Balance End of Year	<u><u>\$99,700</u></u>	<u><u>\$98,200</u></u>	<u><u>\$99,000</u></u>

2015 Forecasted	2016 Forecasted	2017 Forecasted	2018 Forecasted	2019 Forecasted
\$1,600	\$1,600	\$1,700	\$1,700	\$1,700
24,600	26,200	27,700	29,300	31,000
4,500	4,700	4,800	5,000	5,100
7,800	0	0	0	0
38,500	32,500	34,200	36,000	37,800
2,700	2,800	2,800	2,900	3,000
5,800	0	5,800	0	5,800
600	600	700	700	700
3,800	3,800	3,900	4,000	4,100
0	0	0	0	0
79,600	68,600	76,900	73,700	82,300
107,200	97,400	106,600	104,400	114,100
(2,900)	8,000	(200)	3,100	(5,500)
99,000	96,100	104,100	103,900	107,000
<u>\$96,100</u>	<u>\$104,100</u>	<u>\$103,900</u>	<u>\$107,000</u>	<u>\$101,500</u>

Village of Willshire, Van Wert County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2012, Through 2014, Actual
and Ending December 31, 2015, Through 2019, Forecasted

Water Operating Fund

	2012 Actual	2013 Actual	2014 Actual
<u>Revenues</u>			
Charges for Services	\$200,400	\$193,600	\$186,800
Other	1,200	1,500	3,500
Total Revenues	<u>201,600</u>	<u>195,100</u>	<u>190,300</u>
<u>Expenses</u>			
Administrative			
Personal Services	1,600	1,600	1,800
Billing			
Personal Services	6,400	6,200	6,400
Contractual Services	1,400	300	200
Supplies and Materials	300	100	0
Total Billing	<u>8,100</u>	<u>6,600</u>	<u>6,600</u>
Filtration			
Personal Services	31,900	31,800	35,400
Contractual Services	24,900	30,800	31,900
Supplies and Materials	25,500	34,600	40,100
Capital Outlay	4,000	2,700	5,100
Total Filtration	<u>86,300</u>	<u>99,900</u>	<u>112,500</u>
Debt Service			
Principal Retirement	24,500	24,800	25,200
Interest Expense	11,300	11,000	10,600
Total Debt Service	<u>35,800</u>	<u>35,800</u>	<u>35,800</u>
Total Expenses	<u>131,800</u>	<u>143,900</u>	<u>156,700</u>
Changes in Fund Balance	69,800	51,200	33,600
Fund Balance (Deficit) Beginning of Year	<u>(15,700)</u>	<u>54,100</u>	<u>105,300</u>
Fund Balance End of Year	<u><u>\$54,100</u></u>	<u><u>\$105,300</u></u>	<u><u>\$138,900</u></u>

<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>	<u>2018</u> <u>Forecasted</u>	<u>2019</u> <u>Forecasted</u>
\$199,800	\$199,800	\$201,800	\$201,800	\$203,800
3,300	3,300	3,300	3,300	3,300
<u>203,100</u>	<u>203,100</u>	<u>205,100</u>	<u>205,100</u>	<u>207,100</u>
1,700	1,700	1,700	1,700	1,700
6,600	6,800	7,000	7,200	7,500
300	300	300	300	400
100	100	100	100	100
<u>7,000</u>	<u>7,200</u>	<u>7,400</u>	<u>7,600</u>	<u>8,000</u>
37,900	40,800	44,100	47,800	52,100
42,300	41,900	47,700	47,500	53,700
46,700	48,100	49,600	51,100	52,500
39,000	0	7,000	0	7,000
<u>165,900</u>	<u>130,800</u>	<u>148,400</u>	<u>146,400</u>	<u>165,300</u>
25,600	25,900	26,300	26,700	21,300
10,300	9,900	9,500	9,100	8,700
<u>35,900</u>	<u>35,800</u>	<u>35,800</u>	<u>35,800</u>	<u>30,000</u>
<u>210,500</u>	<u>175,500</u>	<u>193,300</u>	<u>191,500</u>	<u>205,000</u>
(7,400)	27,600	11,800	13,600	2,100
<u>138,900</u>	<u>131,500</u>	<u>159,100</u>	<u>170,900</u>	<u>184,500</u>
<u>\$131,500</u>	<u>\$159,100</u>	<u>\$170,900</u>	<u>\$184,500</u>	<u>\$186,600</u>

Village of Willshire, Van Wert County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, Through 2019

Note 1 - The Village

The Village of Willshire is located in northwest Ohio in Van Wert County. The Village is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Operating as a statutory village, Willshire must comply with all State laws regulating village government. The decision making process is directed by an elected Village Council and Mayor. The Village Council is the legislative authority of the Village and consists of six members who are elected at large and serve terms of four years. The Mayor is the chief executive officer of the Village and serves a term of four years.

On December 29, 2005, the Auditor of State's Office declared the Village of Willshire to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor, President Pro Tempore of Village Council, three individuals whose residency or principal place of business is within the Village, and a designee from both the State Treasurer's Office and the Office of Budget and Management. This Commission is required to adopt a financial recovery plan for the Village. Once the plan has been adopted, the Village's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

The Village of Willshire provides general government services including street and state highway maintenance and repair, street lighting, park and cemetery maintenance, fire protection, and water and sewer service. The operation of each of these activities is directly controlled by the Village Council through the budgetary process. The administration includes the Mayor and the Clerk Treasurer.

Note 2 - Nature of Presentation

This financial forecast presents, to the best of the Village's knowledge and belief, the expected revenues, expenditures, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village's judgment, as of January 12, 2015, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the Village. For the Village of Willshire, this consists of the General Fund and the Water Operating enterprise fund.

General Fund - The General Fund accounts for all financial resources, except those required to be accounted for 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.

Water Operating Fund - This fund accounts for the provision of water collection and distribution to residential and commercial users within the Village.

Village of Willshire, Van Wert County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, through 2019

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. Fund Accounting

The Village maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The General Fund is the operating fund of the Village and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

Proprietary Funds

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.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the tax budget, certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Village of Willshire, Van Wert County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, through 2019

Note 3 - Summary of Significant Accounting Policies (continued)

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the Village, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriations for the full year are not ready for approval by Village Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Note 4 - General Revenue Assumptions - All Funds

A. Property Taxes

Property tax revenues consist of real property, public utility real and personal property. The Village may request advances from the Van Wert County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account "intergovernmental revenue".

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2011 for taxes collected in 2012. The triennial update was completed in 2014 for taxes collected in 2015 with the next reappraisal scheduled for 2017 to be collected in 2018.

Village of Willshire, Van Wert County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2015, through 2019

Note 4 - General Revenue Assumptions - All Funds (continued)

The Village's assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	Collection Year			
	2011	2012	2013	2014
Real Property				
Residential and Agriculture	\$3,002,720	\$3,183,510	\$3,132,600	\$3,130,890
Commercial and Industrial	277,730	326,190	256,170	256,170
Public Utility Property				
Personal	126,750	129,630	136,680	148,800
Total Assessed Value	<u>\$3,408,200</u>	<u>\$3,639,330</u>	<u>\$3,525,450</u>	<u>\$3,535,860</u>

Property tax revenues are generated from the inside millage receipted into the General Fund, as well as from voted levies for operations receipted in the General Fund and the fire department receipted in the Fire Fund.

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Levy Type	Fund	Original Year Approved	Latest Year Renewed	First Year of Collection	Last Year of Collection	Total Rate (Per \$1,000 of Assessed Valuation)
Inside Millage	General	n/a	n/a	n/a	n/a	\$1.90
Operating	General	2010	2010	2011	2015	2.00
Operating	General	2008	2013	2008	2018	1.90
Operating	General	2008	2013	2008	2018	3.90
Operating	General	2011	2011	2011	2016	1.00
Operating	Fire	2010	2010	2011	2020	3.00
Total						<u>\$13.70</u>

For the forecast period, it is anticipated that all of the operating levies will be renewed by the voters when they expire.

Public utility real taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies.

Real Property - No change in real property taxes is expected over the five year forecasted period as there is no growth or development anticipated in the Village.

Village of Willshire, Van Wert County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, through 2019

Note 4 - General Revenue Assumptions - All Funds (continued)

B. Municipal Income Taxes

The Village levies a municipal income tax of one percent on all income earned within the Village as well as on income of residents earned outside the Village. The Village does not allow for a credit for income taxes paid to another municipality. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a final return annually.

All income tax revenue is credited to the General Fund and used to pay the cost of administering the tax and for general governmental operations. Income tax revenues are expected to increase approximately two percent each year based on an increase in business and individual earnings. No growth is expected in the Village.

C. Intergovernmental Revenues

Intergovernmental revenues include local government monies and property tax allocations for rollback, homestead, and tangible personal property loss reimbursements. The local government funds are distributed monthly by the State to the Village and by the County Auditor to the Village. The property tax allocations for rollback, homestead, and tangible personal property are received from the State and are based on information provided by the County Auditor.

Until calendar year 2011, local governments were reimbursed in full by the State for their levy losses related to the phase out of business personal property tax and the reduction of assessment rates on personal property for electric and natural gas companies.

In 2011, House Bill 153 modified the schedule for making those reimbursements by accelerating the previous mandated phase out.

In 2012, House Bill 508 went into effect. It provided technical changes to the formula used to calculate fixed rate losses pertaining to utility personal property tax and business personal property tax expense levies. In addition, beginning in 2012, the amount to be reimbursed to a local government for fixed sum levies was reduced from 100 percent to 50 percent.

Since 1971, the State has reimbursed local governments for lost tax revenue related to State mandated rollback and homestead exemptions. House Bill 59 signed in 2013 effected these reductions. The new law indicates that the 10 percent and 2.5 percent rollbacks will no longer apply to new levies that are enacted after August 31, 2013. In addition, House Bill 59 adjusted the homestead exemption and it will now be a means tested provision only available to those otherwise eligible taxpayers with household incomes that do not exceed \$30,000. These changes reduce reimbursements from the State and increase real property tax revenue.

Village of Willshire, Van Wert County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, through 2019

Note 4 - General Revenue Assumptions - All Funds (continued)

Section 503.12(B) of House Bill 66 established a Task Force to study potential sources of State funding for the local government and the local government revenue assistance programs that have the capacity for growth and stability in the funding levels and that considers the changes to the Ohio tax code. In December 2006, the Task Force submitted a report to the Governor and to the General Assembly setting forth its recommendations. The State Budget bill for fiscal years 2008 and 2009 replaced the percentage of tax methodology with a percentage of tax receipts formula. In general, the formula proposes that the three local government funds at the State level receive a percentage of the general revenue fund tax receipts in total collected by the State. In 2011, House Bill 153 made reductions in the local government funding for fiscal years 2012 and 2013. These reductions are approximately 25 percent and 50 percent less than 2011 funding amounts for 2012 and 2013, respectively. No increases are projected for future years.

Note 5 - Specific Fund Revenue Assumptions

A. General Fund

Fines, Licenses, and Permits - Fees, licenses, and permits receipts represent cable franchise fees. Cable franchise fees are 3 percent of gross receipts collected by the cable provider. No increase is anticipated in these revenues.

Interest - Interest receipts are very modest due to low interest rates.

B. Water Operating Fund

Charges for Services - In February 2015, water rates increased by 1 percent. The forecast also includes an increase in water rates by 1 percent in 2017 and 2019.

Note 6 - General Expenditure Assumptions - All Funds

A. Personal Services

Personal services consist of salaries paid to the elected officials of the Village, an appointed fire chief, one full-time employee, and four part-time employees. Village Council, the Mayor, the Clerk Treasurer, Board of Public Affairs members, the fire chief, and part-time employees are paid monthly. The full-time employee is paid semi-monthly. Personal services also includes all salary related costs such as pension contributions, Medicare, workers' compensation, and other employee benefits. The Village provides four weeks of vacation to the full-time employee.

The Mayor's annual salary is \$2,400. The Mayor is paid from the General Fund.

The Village Council consists of six members with an annual salary of \$720. Village Council is paid from the General Fund.

The Clerk Treasurer was paid \$17,496 for 2014. An ordinance was adopted prior to the election of the Clerk Treasurer for a 2 percent annual increase. The Clerk Treasurer is paid 50 percent from the General Fund and 25 percent each from the Water Operating and Wastewater Operating enterprise funds.

Village of Willshire, Van Wert County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, through 2019

Note 6 - General Expenditure Assumptions - All Funds (continued)

The Board of Public Affairs consists of three members with an annual salary of \$960. The Board of Public Affairs is paid from the Water Operating and Wastewater Operating funds.

A 2 percent salary increase is anticipated annually for the full-time and part-time employees throughout the forecast period.

Benefits include employer contributions to the State pension system, social security, Medicare, and workers' compensation. The Village provides health care to the full-time employee. Life insurance is provided to the Clerk Treasurer and the full-time employee.

The Mayor, four council members, the Board of Public Affairs, Clerk Treasurer, appointed fire chief, and employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent of their annual salary and the Village is required to contribute 14 percent of their annual salary. Two council members pay into Social Security.

All elected officials and employees are required to pay into Medicare. The Medicare contribution is 1.45 percent of their annual salary.

Workers' compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. A slight increase is expected annually.

Health insurance is provided to the full-time employee and is expected to increase by 15 percent annually based on historical increases.

Life insurance is provided to the Clerk Treasurer and the full-time employee. Life insurance is expected to increase by 8 percent annually based on historical increases.

B. Contractual Services

Contractual services include property and liability insurance, utility charges (telephone, internet, electricity, water, and sewer), postage, printing, advertising, professional dues, legal fees, auditor and treasurer fees, and accounting and auditing services.

For 2015 through 2019, property and liability insurance is anticipated to increase approximately 8 percent annually based upon historical trend.

Increases in various utility costs are projected to increase between 2 percent and 8 percent based upon historical trends. The Village saw a reduction in street lighting costs in 2013 and 2014 due to a provider rate reduction. For 2015, rates will return to 2012 levels.

There will be an increase in miscellaneous contractual services costs in the Clerk Treasurer account in 2015 and throughout the forecasted period (UAN fees, cleaning fees, etc.).

The Village contracts for the services of legal counsel on an as needed basis.

Village of Willshire, Van Wert County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2015, through 2019

Note 6 - General Expenditure Assumptions - All Funds (continued)

In 2012, the Village paid an income tax refund from the Other General Government account.

The Village is audited every other year. The Village already has a contract for its next two audits and no increase in cost is expected.

C. Supplies and Materials

Supplies and materials expenditures include office supplies, operating supplies (salt and gasoline), and repair and maintenance costs. Supplies and materials are anticipated to increase approximately 3 percent per year based upon historical trends.

D. Capital Outlay

Within the General Fund, capital outlay in the parks department in 2012 and 2014 was related to shelter house repairs and the purchase of mowers. For the forecast period, capital outlay expenditures will be related to miscellaneous maintenance.

Within the Water Operating fund, the Village anticipates the inspection of the water tower, purchase of a tractor, and meter replacement in 2015 and routine plant maintenance in 2017 and 2019.

E. Debt Service

The original issue date, interest rate, original issue amount, and maturity date for the Village's long-term obligations as of December 31, 2014, were as follows:

<u>Debt Issue</u>	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Maturity Date</u>
Mortgage Revenue Bonds USDA/RD Water Treatment Plant Construction	March 24, 1999	4.75%	\$209,000	March 1, 2039
Ohio Water Development Authority Loans OWDA Water Treatment Plant Construction	January 29, 1998	2	233,764	January 1, 2024
OWDA Wastewater Treatment Plant	May 24, 1990	2	778,298	January 1, 2017
Ohio Public Workers Commission Loans OPWC Wells and Water Treatment Plant Facilities	July 1, 1996	0	237,639	January 1, 2019

Mortgage Revenue Bonds - The Village issued USDA mortgage revenue bonds for improvements to the water filtration system. The bonds are paid from the Water Operating fund.

Village of Willshire, Van Wert County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2015, through 2019

Note 6 - General Expenditure Assumptions - All Funds (continued)

Ohio Water Development Authority (OWDA) Loans - The Village obtained loans from the Ohio Water Development Authority for improvements to the water filtration and the wastewater treatment plants. The loans are paid from the Water Operating and Wastewater Operating funds.

Ohio Public Works Commission (OPWC) Loan - The Village obtained an interest free loan from the Ohio Public Works Commission for improvements to the wells and water filtration system. The loan is paid from the Water Operating fund.

Principal and interest requirements to retire the Village's debt in the Water Operating fund are:

Year	USDA Bonds		OWDA Loans		OPWC Loan
	Principal	Interest	Principal	Interest	Principal
2015	\$3,800	\$8,227	\$9,922	\$2,052	\$11,882
2016	3,900	8,047	10,120	1,854	11,882
2017	4,100	7,861	10,322	1,652	11,882
2018	4,300	7,667	10,529	1,445	11,882
2019	4,600	7,462	10,739	1,235	5,940
2020-2024	26,000	33,864	50,989	2,894	0
2025-2029	32,800	27,066	0	0	0
2030-2034	41,500	18,493	0	0	0
2035-2039	52,200	7,672	0	0	0
	<u>\$173,200</u>	<u>\$126,359</u>	<u>\$102,621</u>	<u>\$11,132</u>	<u>\$53,468</u>

Principal and interest requirements to retire the Village's debt in the Wastewater Operating fund are:

Year	OWDA Loans	
	Principal	Interest
2015	\$37,941	\$1,925
2016	38,700	1,166
2017	19,552	381
	<u>\$96,193</u>	<u>\$3,472</u>

Note 7 - Other Funds

The Village has several other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

Village of Willshire, Van Wert County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, through 2019

Note 8 - Pending Litigation

The Village currently has no pending litigation.

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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
MARCH 31, 2015**