



Dave Yost • Auditor of State

VILLAGE OF WARSAW
COSHOCKTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type, and related notes of the Village of Warsaw, Coshocton County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Additional Opinion Qualification* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

Charges for services receipts in the Recreation Fund are reported at \$16,734 and \$17,484 for the years ended December 31, 2014 and 2013, respectively, which are 8 percent of Special Revenue Fund receipts for the year ended December 31, 2014, and 9 percent of Special Revenue Fund receipts for the year ended December 31, 2013.

Charges for services receipts in the Park Fund are reported at \$64,098 and \$61,179, respectively, for the years ended December 31, 2014 and December 31, 2013, which are 33 percent of Special Revenue Fund receipts for the year ended December 31, 2014 and 32 percent of Special Revenue Fund receipts for the year ended December 31, 2013.

Miscellaneous revenue in the Special Revenue Funds are reported at \$30,288 and \$40,253 for the years ended December 31, 2014 and 2013, respectively, which are 15 percent of Special Revenue Fund receipts for the year ended December 31, 2014 and 21 percent of Special Revenue Fund receipts for the year ended December 31, 2013.

We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts and miscellaneous receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matters described in the *Basis for Additional Opinion Qualification* paragraphs, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Warsaw, Coshocton County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 14, 2015

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**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | General | Special Revenue | Permanent | Totals (Memorandum Only) |
|---|------------------|--------------------|-----------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$54,731 | \$8,194 | \$0 | \$62,925 |
| Intergovernmental | 25,417 | 60,091 | 0 | 85,508 |
| Charges for Services | 10,905 | 98,576 | 550 | 110,031 |
| Fines, Licenses and Permits | 5,281 | 0 | 0 | 5,281 |
| Earnings on Investments | 201 | 10 | 12 | 223 |
| Miscellaneous | 3,037 | 30,288 | 0 | 33,325 |
| <i>Total Cash Receipts</i> | <u>99,572</u> | <u>197,159</u> | <u>562</u> | <u>297,293</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 47,647 | 0 | 0 | 47,647 |
| Public Health Services | 474 | 17,792 | 0 | 18,266 |
| Leisure Time Activities | 875 | 122,606 | 0 | 123,481 |
| Community Environment | 6,906 | 0 | 0 | 6,906 |
| Basic Utility Services | 1,362 | 0 | 0 | 1,362 |
| Transportation | 0 | 35,344 | 0 | 35,344 |
| General Government | 41,809 | 0 | 0 | 41,809 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 2,725 | 0 | 2,725 |
| Interest and Fiscal Charges | 0 | 82 | 0 | 82 |
| <i>Total Cash Disbursements</i> | <u>99,073</u> | <u>178,549</u> | <u>0</u> | <u>277,622</u> |
| <i>Excess of Receipts Over Disbursements</i> | <u>499</u> | <u>18,610</u> | <u>562</u> | <u>19,671</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Other Financing Sources | 944 | 106 | 0 | 1,050 |
| Other Financing Uses | (203) | 0 | 0 | (203) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>741</u> | <u>106</u> | <u>0</u> | <u>847</u> |
| <i>Net Change in Fund Cash Balances</i> | 1,240 | 18,716 | 562 | 20,518 |
| <i>Fund Cash Balances, January 1</i> | <u>167,633</u> | <u>140,793</u> | <u>31,959</u> | <u>340,385</u> |
| Fund Cash Balances, December 31 | | | | |
| Nonspendable | 0 | 0 | 32,521 | 32,521 |
| Restricted | 0 | 93,599 | 0 | 93,599 |
| Committed | 0 | 65,910 | 0 | 65,910 |
| Assigned | 168,873 | 0 | 0 | 168,873 |
| <i>Fund Cash Balances, December 31</i> | <u>\$168,873</u> | <u>\$159,509</u> | <u>\$32,521</u> | <u>\$360,903</u> |

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

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Proprietary Fund Types | | Totals |
|--|-------------------------|-----------------------|-------------------------|
| | Enterprise | Internal Service | (Memorandum Only) |
| Operating Cash Receipts | | | |
| Charges for Services | \$187,397 | \$10,500 | \$197,897 |
| <i>Total Operating Cash Receipts</i> | <u>187,397</u> | <u>10,500</u> | <u>197,897</u> |
| Operating Cash Disbursements | | | |
| Personal Services | 70,205 | 0 | 70,205 |
| Employee Fringe Benefits | 17,892 | 9,512 | 27,404 |
| Contractual Services | 60,715 | 0 | 60,715 |
| Supplies and Materials | 34,569 | 0 | 34,569 |
| <i>Total Operating Cash Disbursements</i> | <u>183,381</u> | <u>9,512</u> | <u>192,893</u> |
| <i>Operating Income (Loss)</i> | <u>4,016</u> | <u>988</u> | <u>5,004</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Earnings on Investments (proprietary funds only) | 10 | 0 | 10 |
| Miscellaneous Receipts | 1,804 | 0 | 1,804 |
| Principal Retirement | (7,160) | 0 | (7,160) |
| Interest and Other Fiscal Charges | (110) | 0 | (110) |
| Other Financing Sources | 1,688 | 0 | 1,688 |
| <i>Total Non-Operating (Disbursements)</i> | <u>(3,768)</u> | <u>0</u> | <u>(3,768)</u> |
| <i>Net Change in Fund Cash Balances</i> | 248 | 988 | 1,236 |
| <i>Fund Cash Balances, January 1</i> | <u>170,097</u> | <u>2,323</u> | <u>172,420</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$170,345</u></u> | <u><u>\$3,311</u></u> | <u><u>\$173,656</u></u> |

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

**VILLAGE OF WARSAW
COSHOCKTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | General | Special Revenue | Permanent | Totals (Memorandum Only) |
|--|------------------|--------------------|-----------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$46,481 | \$7,299 | \$0 | \$53,780 |
| Intergovernmental | 24,565 | 37,104 | 0 | 61,669 |
| Charges for Services | 12,180 | 105,074 | 2,800 | 120,054 |
| Fines, Licenses and Permits | 5,532 | 0 | 0 | 5,532 |
| Earnings on Investments | 758 | 12 | 23 | 793 |
| Miscellaneous | 2,603 | 40,253 | 0 | 42,856 |
| <i>Total Cash Receipts</i> | <u>92,119</u> | <u>189,742</u> | <u>2,823</u> | <u>284,684</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 38,361 | 0 | 0 | 38,361 |
| Public Health Services | 35 | 18,294 | 0 | 18,329 |
| Leisure Time Activities | 266 | 118,398 | 0 | 118,664 |
| Community Environment | 15,496 | 3,271 | 0 | 18,767 |
| Basic Utility Services | 16,828 | 0 | 0 | 16,828 |
| Transportation | 0 | 34,980 | 0 | 34,980 |
| General Government | 50,211 | 0 | 0 | 50,211 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 2,888 | 0 | 2,888 |
| Interest and Fiscal Charges | 0 | 174 | 0 | 174 |
| <i>Total Cash Disbursements</i> | <u>121,197</u> | <u>178,005</u> | <u>0</u> | <u>299,202</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(29,078)</u> | <u>11,737</u> | <u>2,823</u> | <u>(14,518)</u> |
| Other Financing Receipts | | | | |
| Other Financing Sources | 800 | 0 | 0 | 800 |
| Proceeds From Insurance | 10,564 | 0 | 0 | 10,564 |
| <i>Total Other Financing Receipts</i> | <u>11,364</u> | <u>0</u> | <u>0</u> | <u>11,364</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(17,714)</u> | <u>11,737</u> | <u>2,823</u> | <u>(3,154)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>185,347</u> | <u>129,056</u> | <u>29,136</u> | <u>343,539</u> |
| Fund Cash Balances, December 31 | | | | |
| Nonspendable | 0 | 0 | 31,959 | 31,959 |
| Restricted | 0 | 86,821 | 0 | 86,821 |
| Committed | 0 | 53,972 | 0 | 53,972 |
| Assigned | 167,633 | 0 | 0 | 167,633 |
| <i>Fund Cash Balances, December 31</i> | <u>\$167,633</u> | <u>\$140,793</u> | <u>\$31,959</u> | <u>\$340,385</u> |

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

**VILLAGE OF WARSAW
COSHOCKTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | Proprietary Fund Types | | Totals |
|---|-------------------------|-----------------------|-------------------------|
| | Enterprise | Internal Service | (Memorandum Only) |
| Operating Cash Receipts | | | |
| Charges for Services | \$195,967 | \$10,500 | \$206,467 |
| <i>Total Operating Cash Receipts</i> | <u>195,967</u> | <u>10,500</u> | <u>206,467</u> |
| Operating Cash Disbursements | | | |
| Personal Services | 65,390 | 0 | 65,390 |
| Employee Fringe Benefits | 17,457 | 8,334 | 25,791 |
| Contractual Services | 57,154 | 0 | 57,154 |
| Supplies and Materials | 28,077 | 0 | 28,077 |
| Claims | 0 | 1,108 | 1,108 |
| <i>Total Operating Cash Disbursements</i> | <u>168,078</u> | <u>9,442</u> | <u>177,520</u> |
| <i>Operating Income</i> | <u>27,889</u> | <u>1,058</u> | <u>28,947</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Miscellaneous Receipts | 1,345 | 0 | 1,345 |
| Capital Outlay | (9,015) | 0 | (9,015) |
| Principal Retirement | (13,775) | 0 | (13,775) |
| Interest and Other Fiscal Charges | (693) | 0 | (693) |
| Other Financing Sources | 1,122 | 0 | 1,122 |
| Other Financing Uses | (3,300) | 0 | (3,300) |
| <i>Total Non-Operating (Disbursements)</i> | <u>(24,316)</u> | <u>0</u> | <u>(24,316)</u> |
| <i>Net Change in Fund Cash Balances</i> | 3,573 | 1,058 | 4,631 |
| <i>Fund Cash Balances, January 1</i> | <u>166,524</u> | <u>1,265</u> | <u>167,789</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$170,097</u></u> | <u><u>\$2,323</u></u> | <u><u>\$172,420</u></u> |

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

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 Warsaw, Coshocoton County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with the Coshocoton County Sheriff's department to provide security of persons and property.

The Village participates in one jointly governed organization. Note 9 to the financial statements provides additional information for this entities. This organization is:

Jointly Governed Organizations:

Walhonding Valley Fire District (District)

The District is a body corporate and politic formed by the Village and several other political subdivisions under Ohio Revised Code § 505.371 to provide fire protection services.

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 permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits

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

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Cemetery Fund - This fund receives interest and money from sales of plots for maintaining its cemeteries.

Park Fund - This fund receives donations and swimming pool fees for Village recreation.

Oil and Gas Royalties Fund - This fund was established to collect royalties from oil deposits for land donated to the Village. The land is part of the Village park and used for Village recreation.

3. Permanent Funds

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

Cemetery Endowment Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

4. Enterprise Funds

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

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

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

**VILLAGE OF WARSAW
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

5. Internal Service Fund

This fund accounts for services provided by one department to other departments of the government unit. The Village had the following Internal Service Fund:

Health Insurance Fund - This fund receives funding from other Village funds to pay health insurance premiums.

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 fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 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 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

VILLAGE OF WARSAW
COSHOCTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

**VILLAGE OF WARSAW
COSHOCKTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. Equity in Pooled Deposits (Continued)

| | 2014 | 2013 |
|-------------------------|-----------|-----------|
| Demand deposits | \$485,176 | \$463,422 |
| Certificates of deposit | 49,383 | 49,383 |
| Total deposits | \$534,559 | \$512,805 |

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 are as follows:

2014 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|------------|
| General | \$94,935 | \$100,516 | \$5,581 |
| Special Revenue | 213,040 | 197,265 | (15,775) |
| Enterprise | 204,761 | 190,899 | (13,862) |
| Internal Service | 10,500 | 10,500 | 0 |
| Permanent | 2,900 | 562 | (2,338) |
| Total | \$526,136 | \$499,742 | (\$26,394) |

2014 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-----------|
| General | \$262,568 | \$99,276 | \$163,292 |
| Special Revenue | 353,834 | 178,549 | 175,285 |
| Enterprise | 374,858 | 190,651 | 184,207 |
| Internal Service | 12,823 | 9,512 | 3,311 |
| Permanent | 34,859 | 0 | 34,859 |
| Total | \$1,038,942 | \$477,988 | \$560,954 |

2013 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|----------|
| General | \$87,144 | \$103,483 | \$16,339 |
| Special Revenue | 188,941 | 189,742 | 801 |
| Enterprise | 205,611 | 198,434 | (7,177) |
| Internal Service | 10,500 | 10,500 | 0 |
| Permanent | 1,701 | 2,823 | 1,122 |
| Total | \$493,897 | \$504,982 | \$11,085 |

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity (Continued)

| 2013 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$232,224 | \$122,673 | \$109,551 |
| Special Revenue | 317,269 | 178,886 | 138,383 |
| Enterprise | 371,062 | 196,377 | 174,685 |
| Internal Service | 11,765 | 9,442 | 2,323 |
| Permanent | 30,837 | 0 | 30,837 |
| Total | \$963,157 | \$507,378 | \$455,779 |

4. Property Tax

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

Public utilities are also taxed on personal and real property located within the Village.

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

5. Debt

Debt outstanding at December 31, 2014 was as follows:

| | Principal | Interest Rate |
|----------------------|-----------|---------------|
| Peoples Bank - Bonds | \$1,266 | 3% |

The Village issued general obligation bonds to finance the purchase of a new mower for the cemetery. The bond issuance was approved by Village ordinance on May 18, 2011. The Village's taxing authority collateralized the bonds.

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

| Year ending December 31: | Peoples Bank |
|-----------------------------|--------------|
| 2015 | \$1,275 |

This debt was paid off in May 2015.

6. Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF WARSAW
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. Related Party Transactions

A former Village Council member, who was part of Council during part of 2013, is part owner of a company from which the Village acquired supplies during the year. The Village paid \$3,629 during the time period he was a Council member for these acquisitions.

9. Jointly Governed Organizations

Walhonding Valley Fire District (the District)

The District provides fire protection services for the Village. The District is directed by an appointed eleven-member Board of Trustees. One board member is appointed by each political subdivision within the District with one member at large appointed from one of the political subdivisions. Those subdivisions are the Bedford Township, Bethlehem Township, Clark Township, Jefferson Township, Monroe Township, Newcastle Township, Perry Township, Tiverton Township, Village of Nellie and Village of Warsaw. The District provides fire protection services to citizens within those areas. During 2012 and 2011, the Village paid no monies to the District.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Warsaw, Coshocton County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated December 14, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also qualified our opinion on the Special Revenue Fund Type for the years ended December 31, 2014 and December 31, 2013 because we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts in the amounts of \$16,734 and \$17,484 in the Recreation Fund for the years ended December 31, 2014 and December 31, 2013, respectively, for amounts recorded as charges for services in the amounts of \$64,098 and \$61,179 in the Park Fund for the years ended December 31, 2014 and December 31, 2013, respectively, and for amounts recorded as miscellaneous revenue in the amounts of \$30,288 and \$40,253 in the Special Revenue Fund Type for the years ended December 31, 2014 and December 31, 2013, respectively.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies.

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Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2014-001 through 2014-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 14, 2015

**VILLAGE OF WARSAW
COSHOCOTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Material Weakness

The Village should maintain an accounting system and accounting records sufficient to enable the Village to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

As a result of audit procedures performed, errors were noted in the Village's financial statements that required audit reclassifications as follows:

- The General Fund reported its entire fund balance as Unassigned in both years. However, Governmental Accounting Standards Board (GASB) Statement 54, Paragraph 16 required that funds with an Unassigned Fund Balance report Assigned Fund Balances when an existing fund balance was used to eliminate a budget deficit in the subsequent year that would result from subsequent year appropriations exceeding subsequent year estimated revenues. This occurred in 2014 and 2013 as the entire fund balances were utilized in the subsequent year to eliminate these budget deficits. As a result, \$168,873 and \$167,633 in Assigned Fund Balances in the General Fund were inappropriately reported as Unassigned Fund Balances in 2014 and 2013, respectively;
- GASB 54, Paragraphs 10 and 11 documented that Committed Fund Balances were to be reported when constraints on the use of the fund were imposed by formal action of the Village Council. The Village reported the balances of the Park Fund, Recreation Fund and Oil and Gas Royalties Fund as Restricted; however, Restricted Fund Balances were to be reported only when an external constraint was placed upon the use of the revenues in the fund. These funds do not have any external constraints and should be reported as Committed Fund Balances. As a result, \$65,910 and \$53,972 in Committed Fund Balances in the Special Revenue Funds were inappropriately reported as Restricted Fund Balances in 2014 and 2013, respectively;
- During 2013, the General Fund incorrectly reported \$10,564 in Insurance Proceeds (and Other Financing Sources) as Miscellaneous Revenue;
- The Village entered into an agreement with the Coshocoton City and County Park District (District) where the District agreed to provide funds to the Village from a recently passed property tax levy. This amount should be classified as Intergovernmental Revenue as the amount paid from the District to the Village represents support that is not an exchange for any goods or services, and as the property tax levy belongs to the District and not the Village. During 2014, the Village received \$25,000 from the District for this support. However, it was incorrectly reported as Miscellaneous Revenue instead of Intergovernmental Revenue;
- The Village received Federal and State grants in 2013. \$467 in State grants was classified as an Extraordinary Item instead of Intergovernmental Revenue in the FEMA Special Revenue Fund; and
- The Village utilized an Internal Service Fund to collect money from other funds and disburse it for the purpose of insurance premiums and other medical costs. Amounts received in the Internal Service Fund represent Charges for Services received from other funds. However, \$10,500 received in this fund was reported as Special Items in both 2014 and 2013. Additionally, payments to the insurance provider were for premiums and not as part of a self-insurance program. As a result, these payments represent employee Fringe Benefits and should be reported as such. However, \$9,512 and \$8,334 in insurance premiums were incorrectly reported as Claims disbursements in 2014 and 2013, respectively.

VILLAGE OF WARSAW
COSHOCOTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)

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

FINDING NUMBER 2014-001 (Continued)

Material Weakness (Continued)

Sound financial reporting is the responsibility of the Village Fiscal Officer and is essential to help ensure the information provided to the readers of the financial statements is complete and accurate. The Village's financial statements have been adjusted accordingly.

To help ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures to identify and correct errors and omissions in reporting.

Officials' Response: We have changed the fund coding for General, Park Fund, Recreation Fund, and Oil and Gas Royalties Fund. The incorrect reporting of the revenue for the Insurance Proceeds, Park District Levy revenue, and State grants were changed to the correct revenue accounts. The insurance premiums are no longer paid through an Internal Service Fund. The Village pays out of the funds that the employee is paid out of.

FINDING NUMBER 2014-002

Material Weakness

Maintaining organized documentation and support for financial transactions is essential in assuring the Village's financial statements are accurately presented and complete.

The Village reported miscellaneous revenue from sources such as: donations, gas royalties, and proceeds from numerous community fundraisers. In 7 out of 13 miscellaneous revenue receipts tested for the audit period, detailed supporting documentation for the amounts collected were not attached. This could result in the Village not receiving all revenues due them.

The Village should implement procedures to ensure that all festival revenues collected can be accounted for and that supporting documentation, including detail of each type of revenue collected, is attached to the receipt. For donations, the village should ensure that supporting documentation is attached or Village Council should approve the donation and document their approval in the minutes. This will help ensure the all monies collected for the donations and festival revenues are properly receipted and posted to the books of the Village.

Officials' Response: The Village has purchased cash registers and receipt books to have for the various activities. The Village of Warsaw has been truly blessed by the residents and non-residents who have gave donations and supported all the various fund raisers, and we will work to make receipts available when at all possible.

FINDING NUMBER 2014-003

Material Weakness

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

VILLAGE OF WARSAW
COSHOCKTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)

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

FINDING NUMBER 2014-003 (Continued)

Material Weakness (Continued)

During 2014, no supporting documentation could be provided to support revenues collected for the Park Fund from campsite and shower rentals, pool punch passes, and pool memberships, and for the Recreation Fund for recreation league participation fees, sponsor donations, and collections from a T-shirt sale. While the village did maintain supporting documentation for Park Fund receipts for pool party rentals, concessions, shelter and dunk tank rentals, and pool admissions, no detailed information was provided to the Fiscal Officer from the park to be able to tie the specific receipts collected by the Park to the Fiscal Officer's receipt detail posted to the system. Additionally, for the Recreation fund, the Village maintained support for receipts received from a gun raffle in the form of unused tickets. However, the tickets were not issued in sequence and the used versus unused ticket numbers were not identified. As the Village was unable to provide the detailed support needed to test the balances we were unable to give an opinion of the Charges for Services receipts of \$64,098 for the Park Fund and \$16,734 for the Recreation Fund.

During 2013, no supporting documentation could be provided to support revenues collected for the Park Fund from campsite and shower rentals, recreation league participation fees, and sponsor donations. Additionally, during 2014, supporting documentation could not be provided for pool punch passes, pool memberships, and collections from a T-shirt sale. While the Village did maintain supporting documentation for pool party rentals, concessions, shelter and dunk tank rentals, pool admissions, pool punch passes, and pool memberships, no detailed information was provided to the fiscal officer from the park to be able to tie the specific receipts collected by the Park to the Fiscal Officer's receipt posted to the system. Additionally, the Village maintained support for receipts received from a gun raffle in the form of unused tickets. However, the tickets were not issued in sequence and the used versus unused ticket numbers were not identified. As the Village was unable to provide the detailed support needed to test the balances we were unable to give an opinion of the Charges for Services receipts of \$61,179 for the Park Fund and \$17,484 for the Recreation Fund.

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

The Village should implement procedures to ensure that all types of daily park collections sheets have support attached detailing the purpose of the revenue being collected, who it was received from, and the amount that was collected. Additionally, tickets not sold for fundraising should be maintained in a manner where it can be determined the sequence of tickets not sold. This will help mitigate the risk of fraud and help ensure the Village collects all revenue due them.

Officials' Response: The Recreation Board and the Park Board will be made aware they need to turn in a receipt book and keep better track of all money collected. These boards are on a volunteer basis and provide tremendous support to the youth of this county and it is not always possible to have complete records for all fundraisers. We will as a Village all work together to keep records for the upcoming season.

**VILLAGE OF WARSAW
COSHOCKTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2012-001 | Finding for Recovery – Village Ordinance Nos. 2010-05 and 2011-08 set the wages of employees. Two councilmen were overpaid. However, it was repaid during the audit. | Yes | Finding No Longer Valid |
| 2012-002 | Section 4 of Village Ordinance 2011-03, authorizing the issuance of \$11,530 of bonds for paying for a mower. | No | Amount was insignificant during the audit period. See Management Letter. |
| 2012-003 | Ohio Rev. Code § 149.351 – Village did not maintain documentation for the Park and Recreation Funds. | No | See Finding Number 2014-003. |
| 2012-004 | Financial Reporting – material reclasses and adjustments. | No | See Finding Number 2014-001. |



Dave Yost • Auditor of State

VILLAGE OF WARSAW

COSHOCTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 29, 2015