



Dave Yost • Auditor of State

VILLAGE OF ASHLEY
DELAWARE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Ashley
Delaware County
P.O. Box 361
Ashley, Ohio 43003

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Ashley, Delaware County, Ohio (the Village) as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no 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 adverse and qualified audit opinion.

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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

The Village has overstated its combined cash fund balance by \$10,353 as of January 1, 2011, and December 31, 2012 and 2011. We were unable to obtain sufficient appropriate audit evidence to support to which funds to charge this disbursement.

Additional Opinion Qualification

In our opinion, except for the effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Ashley, Delaware County, Ohio as of January 1, 2011 and December 31, 2012 and 2011. Also, the financial statements referred to above present fairly, in all material respects, the combined cash receipts and disbursements of the Village of Ashley, Delaware County, Ohio as of December 31, 2012 and 2011 for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1F to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

As discussed in Note 11 to the financial statements, the December 31, 2010 financial statements have been restated to correct a misstatement. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2014, 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

January 29, 2014

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**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 103,677	\$ 131,336	\$ 235,013
Intergovernmental	43,372	79,146	122,518
Charges for Services	73,998	13,489	87,487
Fines, Licenses and Permits	9,702	-	9,702
Earnings on Investments	277	-	277
Miscellaneous	1,345	4,592	5,937
	232,371	228,563	460,934
Cash Disbursements			
Current:			
Security of Persons and Property	-	139,861	139,861
Public Health Services	-	11,129	11,129
Leisure Time Activities	-	40,333	40,333
Basic Utility Services	72,652	-	72,652
Transportation	-	94,017	94,017
General Government	104,672	26,549	131,221
Debt Service			
Principal Retirement	-	3,000	3,000
	177,324	314,889	492,213
<i>Total Cash Disbursements</i>	177,324	314,889	492,213
<i>Excess of Receipts Over (Under) Disbursements</i>	55,047	(86,326)	(31,279)
Other Financing Receipts (Disbursements)			
Transfers In	-	69,095	69,095
Transfers Out	(69,095)	-	(69,095)
Sale of Capital Asset	12,725	-	12,725
	(56,370)	69,095	12,725
<i>Total Other Financing Receipts (Disbursements)</i>	(56,370)	69,095	12,725
<i>Net Change in Fund Cash Balances</i>	(1,323)	(17,231)	(18,554)
<i>Fund Cash Balances, January 1</i>	80,828	112,270	193,098
Fund Cash Balances, December 31			
Assigned	56,564	-	56,564
Restricted	-	95,039	95,039
Unassigned (Deficit)	22,941	-	22,941
	79,505	95,039	174,544
<i>Fund Cash Balances, December 31</i>	\$ 79,505	\$ 95,039	\$ 174,544

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

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 470,015	\$ -	\$ 470,015
Miscellaneous	6,018	-	6,018
<i>Total Operating Cash Receipts</i>	<u>476,033</u>	<u>-</u>	<u>476,033</u>
Operating Cash Disbursements			
Personal Services	31,782	-	31,782
Employee Fringe Benefits	12,619	-	12,619
Contractual Services	282,387	25,424	307,811
Supplies and Materials	11,605	-	11,605
Other	4,955	-	4,955
<i>Total Operating Cash Disbursements</i>	<u>343,348</u>	<u>25,424</u>	<u>368,772</u>
<i>Operating Income (Loss)</i>	<u>132,685</u>	<u>(25,424)</u>	<u>107,261</u>
Non-Operating Receipts (Disbursements)			
Property and Other Local Taxes	-	21,700	21,700
Intergovernmental	-	3,724	3,724
Principal Retirement	(60,797)	-	(60,797)
Interest and Other Fiscal Charges	(8,207)	-	(8,207)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(69,004)</u>	<u>25,424</u>	<u>(43,580)</u>
<i>Income (Loss) before Transfers</i>	63,681	-	63,681
Transfers In	93,826	-	93,826
Transfers Out	(93,826)	-	(93,826)
<i>Net Change in Fund Cash Balances</i>	63,681	-	63,681
<i>Fund Cash Balances, January 1</i>	<u>118,321</u>	<u>-</u>	<u>118,321</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 182,002</u>	<u>\$ -</u>	<u>\$ 182,002</u>

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

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 113,193	\$ 120,789	\$ 233,982
Intergovernmental	65,638	89,824	155,462
Charges for Services	72,841	1,502	74,343
Fines, Licenses and Permits	9,134	-	9,134
Earnings on Investments	145	-	145
Miscellaneous	11,991	-	11,991
<i>Total Cash Receipts</i>	<u>272,942</u>	<u>212,115</u>	<u>485,057</u>
Cash Disbursements			
Current:			
Security of Persons and Property	45,113	84,395	129,508
Public Health Services	-	12,268	12,268
Leisure Time Activities	-	6,816	6,816
Basic Utility Services	71,696	-	71,696
Transportation	-	68,602	68,602
General Government	128,219	21,760	149,979
Debt Service:			
Principal Retirement	-	1,500	1,500
<i>Total Cash Disbursements</i>	<u>245,028</u>	<u>195,341</u>	<u>440,369</u>
<i>Net Change in Fund Cash Balances</i>	27,914	16,774	44,688
<i>Fund Cash Balances (restated), January 1</i>	<u>52,914</u>	<u>95,496</u>	<u>148,410</u>
Fund Cash Balances, December 31			
Assigned	65,387	-	65,387
Restricted	-	112,270	112,270
Unassigned (Deficit)	15,441	-	15,441
<i>Fund Cash Balances, December 31</i>	<u>\$ 80,828</u>	<u>\$ 112,270</u>	<u>\$ 193,098</u>

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

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 457,292	\$ -	\$ 457,292
<i>Total Operating Cash Receipts</i>	<u>457,292</u>	<u>-</u>	<u>457,292</u>
Operating Cash Disbursements			
Personal Services	22,955	-	22,955
Employee Fringe Benefits	8,137	-	8,137
Contractual Services	221,472	26,833	248,305
Supplies and Materials	23,376	-	23,376
Other	4,766	-	4,766
<i>Total Operating Cash Disbursements</i>	<u>280,706</u>	<u>26,833</u>	<u>307,539</u>
<i>Operating Income (Loss)</i>	<u>176,586</u>	<u>(26,833)</u>	<u>149,753</u>
Non-Operating Receipts (Disbursements)			
Property and Other Local Taxes	-	23,063	23,063
Intergovernmental	-	3,770	3,770
Miscellaneous Receipts	12,272	-	12,272
Principal Retirement	(97,991)	-	(97,991)
Interest and Other Fiscal Charges	(13,260)	-	(13,260)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(98,979)</u>	<u>26,833</u>	<u>(72,146)</u>
<i>Income (Loss) before Transfers</i>	77,607	-	77,607
Transfers In	90,800	-	90,800
Transfers Out	(90,800)	-	(90,800)
<i>Net Change in Fund Cash Balances</i>	77,607	-	77,607
<i>Fund Cash Balances, January 1</i>	<u>40,714</u>	<u>-</u>	<u>40,714</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 118,321</u>	<u>\$ -</u>	<u>\$ 118,321</u>

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

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Ashley, Delaware County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer and trash utilities, street maintenance and repair, park operations, and police services. The Village contracts with Elm Valley Joint Fire District to receive fire protection services.

The Village participates in a jointly governed organization, a public entity risk pool and is associated with a related organization. Notes 7 and 9 to the financial statements provides additional information for these entities. These organizations are:

Joint Governed Organizations:

Elm Valley Joint Fire District

The District provides fire protection and rescue services within the District.

Public Entity Risk Pool:

Ohio Plan Risk Management, Inc.

The plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage to its members.

Related Organization:

Ashley Union Cemetery

The Village appoints a Cemetery Board Member and provides one-half of the Cemetery's financial support.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village's accounting basis includes deposits as assets.

VILLAGE OF ASHLEY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

D. Fund Accounting

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

1. General Fund

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

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 tax money for constructing, maintaining, and repairing Village streets.

Police Levy Fund – This fund receives levied monies and is used to provide police protection for the Village.

3. 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.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for property taxes collected and disbursed to the Wornstaff Memorial Library.

VILLAGE OF ASHLEY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 also approve estimated resources.

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

During 2011, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result 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.

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.

VILLAGE OF ASHLEY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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

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

	2012	2011
Demand deposits	<u>\$356,546</u>	<u>\$311,419</u>

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

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$224,450	\$245,096	\$20,646
Special Revenue	263,726	297,658	33,932
Enterprise	517,496	569,859	52,363
Fiduciary	24,059	25,424	1,365
Total	\$1,029,731	\$1,138,037	\$108,306

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$296,794	\$246,788	\$50,006
Special Revenue	345,706	315,110	30,596
Enterprise	570,697	506,348	64,349
Fiduciary	26,819	25,424	1,395
Total	\$1,240,016	\$1,093,670	\$146,346

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$268,292	\$272,942	\$4,650
Special Revenue	214,490	212,115	(2,375)
Enterprise	454,713	560,364	105,651
Fiduciary	25,363	26,833	1,470
Total	\$962,858	\$1,072,254	\$109,396

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$290,245	\$245,397	\$44,848
Special Revenue	252,125	195,562	56,563
Enterprise	631,942	482,927	149,015
Fiduciary	26,806	26,833	(27)
Total	\$1,201,118	\$950,719	\$250,399

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Property Tax

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

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, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Sewer Revenue Bonds	\$123,000	5%
OPWC Loan (CQ27D)	\$30,000	0%
OPWC Loan (CQ32A)	\$77,395	0%
OPWC Loan (CQ20K)	\$396,778	0%
DCB Water Tower Project	\$6,415	6%
Total	<u>\$633,588</u>	

In 1976 the Village issued Sewer System First Mortgage Revenue Bonds for sewer system construction, due in annual installments of varying amounts through 2016 bearing an interest rate of 5%. The Village's sewer charges are to be set to cover repayment of the bonds.

Section 8 of the Sewer System First Mortgage Revenue Bonds states the Village is to maintain a Sewer Bond and Interest Sinking Fund to account for a monthly allocation for the next scheduled interest and debt payment. At December 31, 2012 this Sinking Fund had a balance of \$752 to be used towards the \$35,150 payment due in May of 2013. Rather than making monthly deposits into the Sinking Fund the Village completes an annual transfer to the Sinking Fund to cover the annual payment.

Section 8 of the Sewer System First Mortgage Revenue Bonds also states the Village is to maintain a Reserve Account for the purpose of paying the cost of repairing or replacing any damage to the Utility and when necessary for the purpose of making payments of principal or and interest on the Revenue Bonds if the amount in the Sinking Fund is not sufficient to meet such payments. The Village is to set aside \$290 monthly until the accumulated fund balance of \$34,800. At December 31, 2012 the fund balance of the Reserve Fund was \$6,264.

The Ohio Public Works Commission (OPWC) loans were issued for a wastewater treatment plant upgrade, a storm sewer improvement, and a sewer collection system. Payments are due semiannually each year. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Debt (Continued)

On August 25, 2010 the Village entered into a note agreement with Delaware County Bank and Trust Company (DCB) for \$27,000 with an interest rate of 6% for the purpose of repairing the Village's water tower. Payments are due in monthly installments of varying amounts through 2013.

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

Year ending December 31:	OPWC (CQ27D)	OPWC (CQ32A)	OPWC (CQ20K)	Mortgage Sewer Revenue Bond Principal	Mortgage Sewer Revenue Bond Interest
2013	\$3,000	\$9,676	\$14,972	\$29,000	\$6,150
2014	3,000	9,676	14,972	30,000	4,700
2015	3,000	9,676	14,972	31,000	3,200
2016	3,000	9,676	14,972	33,000	1,650
2017	3,000	9,676	14,972		
2018-2022	15,000	29,015	74,864		
2023-2027			74,864		
2028-2032			74,864		
2033-2037			74,864		
2038-2039			22,462		
Total	<u>\$30,000</u>	<u>\$77,395</u>	<u>\$396,778</u>	<u>\$123,000</u>	<u>\$15,700</u>

Year ending December 31:	DCB Water Tower Project Principal	DCB Water Tower Project Interest	Total Principal	Total Interest
2013	\$6,415	\$145	\$63,063	\$6,295
2014			57,648	4,700
2015			58,648	3,200
2016			60,648	1,650
2017			27,648	
2018-2022			118,879	
2023-2027			74,864	
2028-2032			74,864	
2033-2037			74,864	
2038-2039			22,462	
Total	<u>\$6,415</u>	<u>\$145</u>	<u>\$633,588</u>	<u>\$15,845</u>

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

7. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011

	2012	2011
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	\$6,413,188	\$7,172,519

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

8. Jointly Governed Organization

The Village of Ashley owns real property for fire protection, formerly used by the Ashley Volunteer Fire Department. The Village leases the property for \$1 per year for the indefinite lease term to the Elm Valley Joint Fire District, which is jointly governed by the Village. The Fire District is governed by one trustee each from Oxford Township, Peru Township, Westfield Township and the Village of Ashley.

9. Related Organizations

The Ashley Union Cemetery is considered a related organization of the Village. The Cemetery is considered a related organization because the Village appoints a Cemetery Board Member and provides one-half of the Cemetery's financial support. The financial statements of the Cemetery can be obtained by writing Mary Ogg, Clerk at 8191 Ashley Road, Ashley, Ohio 43003.

10. Subsequent Events

The Village has purchased a new 2012 Ford Truck. The Promissory Note for the purchase with the Delaware County Bank and Trust Company was dated January 16, 2013 in the amount of \$20,000. The term of this note is for 36 months with a monthly payment of \$581.58 and will commence on February 5, 2013.

11. Restatement of Balances

The restatement of the General Fund's and Special Revenue Fund's fund balances was due to a mis-posting of receipts in prior years. The restatement had the following effects:

	Fund Balance at December 31, 2010	Correction of Error	Adjusted Fund Balance at December 31, 2010
General	\$64,511	(\$11,597)	\$52,914
Special Revenue	\$83,899	\$11,597	\$95,496

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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 Ashley
Delaware County
P.O. Box 361
Ashley, Ohio 43003

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 Village of Ashley, Delaware County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated January 29, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to inability to obtain sufficient appropriate audit evidence to support which funds to charge the Village's overstatement of its combined cash fund balance as of January 1, 2011 and December 31, 2012 and 2011. In addition, we noted that in 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the December 31, 2010 financial statements have been restated.

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 opinion 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001 through 2012-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-003.

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.

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

January 29, 2014

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

Material Weakness

Strong monitoring practices of the Village financial activities are the responsibility of the Fiscal Officer and Council members and are essential to ensure proper financial reporting. A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time a reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances. Additionally, the Fiscal Officer and Council members should review the bank to book reconciliation and monthly financial reports of financial activity of the Village including budgeted versus actual receipts and expenditures. Evidence of these reviews should be documented.

The Village did perform bank to book reconciliations throughout 2012 or 2011. However, the reconciliations did not agree with the Uniform Accounting Network (UAN) system. As of December 31, 2012 and December 31, 2011 the Village had an unreconciled difference of \$10,353. The Village was unable to provide sufficient appropriate audit evidence to support to which funds to charge this disbursement to for the overstatement of its combined cash fund balance as of January 1, 2011, and December 31, 2012 and 2011. This resulted in a modification to the financial statement opinion.

In addition to the audit adjustments and reclassifications noted in Finding 2012-002, there was an adjustment to reduce the Police Levy Fund cash fund balance by \$1,449 to account for 2012 police and fire retirement paid but not posted to the Village's accounting ledgers as of December 31, 2012. This audit adjustment was made to the accounting records and financial statements.

As a result, inaccurate financial reports are being provided to the Village Council to aid in management decisions, which could lead to errors or irregularities occurring which could go undetected by management.

We recommend the Village Fiscal Officer reconcile all bank accounts to the books on a timely basis. In this process all reconciling items or errors should be identified and included on the face of the reconciliation. All unreconciled balances should be researched in order to find the known source of the error. All errors should be corrected on the Village's ledgers following the completion of the reconciliation. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and approved by Council and that evidence of these reviews and approvals is documented.

FINDING NUMBER 2012-002

Material Weakness

Sound financial reporting is the responsibility of management and the Village Council and is essential to ensure the information provided to the readers of the financial statement is complete and accurate.

In addition to the audit adjustment noted in Finding 2012-001, the following audit reclassifications and adjustments were made to the financial statements and the Village's accounting records where applicable:

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-002 (Continued)

Material Weakness (Continued)

1. At December 31, 2011 a \$37,589 reclassification was made from interest and fiscal charges to principal retirement in the Enterprise Funds to properly report debt principal payments.
2. At December 31, 2012 and December 31, 2011 a reclassification of \$3,724 and \$3,685, respectively, was made from property and other local taxes to intergovernmental in the Agency Fund to properly report rollback and homestead taxes related to a property tax levy collected on behalf of Wornstaff Memorial Library.
3. At December 31, 2012 and December 31, 2011 a reclassification of \$44,140 and \$47,075 respectively, to reclassify special assessment receipts as charges for services in the Enterprise Funds.
4. At December 31, 2011 a \$20,248 reclassification from charges for services to nonoperating miscellaneous receipts for \$12,272 and a reduction of contract services disbursements for \$7,976 to properly report other receipts collected that were not related to charges for utilities provided.
5. At December 31, 2011 a \$1,229 reclassification to charges for services from earnings on investments in the Enterprise Funds as no interest was earned by the Enterprise Funds in 2011.
6. At December 31, 2012 and December 31, 2011, a reclassification of \$3,000 and \$1,500, respectively, from transportation expenses to principal retirement in the Street Construction, Maintenance, and Repair Fund to properly account for OPWC debt payments owed from the fund.
7. At December 31, 2012 and December 31, 2011 the following amounts were reclassified to properly report rollback and homestead and other tax replacement receipts as intergovernmental receipts rather than property and other local taxes.
 - a. 2011 General Fund: \$17,605
 - b. 2011 Special Revenue Funds: \$20,525
 - c. 2012 General Fund: \$17,791
 - d. 2012 Special Revenue Funds: \$22,835
8. At December 31, 2012 and December 31, 2011 reclassifications were made to report fund balance as assigned related to the excess of subsequent appropriations over subsequent estimated receipts in the General Fund of \$56,564 and \$65,387, respectively.
9. An audit adjustment to properly report \$12,725 of receipts from the sale of the Village building as a sale of capital asset in the General Fund at December 31, 2012 rather than reporting a Permanent Fund to account for these receipts.
10. There was an \$11,597 error in the 2009 financial statements due to posting all of rollback and homestead receipts to the General Fund rather than allocating \$4,779 to the Street Construction, Maintenance, and Repair Fund, \$761 to the Cemetery Fund, \$874 to the Parks and Recreation Fund, and \$5,183 to the Police Levy Fund in accordance to the portion of tax monies allocated to each fund. The December 31, 2010 fund balances were restated to reflect the adjustment.

We recommend the Village implement additional internal control procedures to ensure the accuracy and completeness of transactions and the annual financial reports. The internal control procedures can include additional review of financial statements, revenue ledgers, and expenditures ledgers by an outside party and/or using analytical reviews for comparison of current year to prior year numbers.

VILLAGE OF ASHLEY
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

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

FINDING NUMBER 2012-003

Material Weakness/Material Noncompliance

Section 8 of the 1976 Sewer System First Mortgage Revenue Bonds requires that monthly on the fifteenth day of each month the Village transfer in the Sewerage Revenue Bond and Interest Sinking Fund the equal monthly amount necessary to provide for the payment date upon all Bonds outstanding and the equal monthly amount necessary to provide for payment of the next ensuing principal maturity of all bonds outstanding.

In addition this Section provides that the Village shall deposit in the "Reserve Account" the sum of \$290 each month until there is accumulated in such Fund the sum of \$34,800 after which no further deposits need to be made into the Reserve Account except to replace withdrawals. The Reserve Account shall be used and disbursed only for the purpose of paying for the cost of repairing or replacing any damage to the Utility which may be caused by an unforeseen catastrophe, for making extensions or improvements to the Utility, and when necessary for the purpose of making payments of principal or and interest on the Revenue Bonds if the amount in the Sewerage Revenue Bond and Interest Sinking Fund is not sufficient to meet such payments.

For the years ending December 31, 2012 and 2011, the Village maintained a separate Reserve Fund and a Sinking Fund in compliance with the mortgage revenue bond debt covenants.

At December 31, 2012 the Sinking Fund had a balance of \$752 to be used towards the \$35,150 payment due in May of 2013 rather than a balance of \$23,433 that should have been accumulated. At December 31, 2011 the Sinking Fund did not have a fund balance to be used towards the \$34,500 payment due in May of 2012 rather than a balance of \$23,200 that should have been accumulated. An adjustment was not made to the Village's accounting records for these amounts since the total amount needed for each payment was subsequently transferred when the debt payments were due.

At December 31, 2012 the fund balance of the Reserve Fund was \$6,264. The Village set aside \$1,363 into the Reserve Fund in 2011 and none was set aside in 2012. The required amount that should have been set aside during both 2011 and 2012 would be \$3,480. Due to the amounts being immaterial no adjustment was made to the Village's accounting records or financial statements.

We recommend the Village comply with the debt covenant contained in the debt agreement.

The Village did not respond to the findings reported above.

**VILLAGE OF ASHLEY
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-VOA-001	Material Weakness – Cash Reconciliations	No	Reissued as Finding 2012-001
2010-VOA-002	Material Weakness – Financial Statement Presentation	No	Reissued as Finding 2012-002
2010-VOA-003	Noncompliance/Material Weakness—Ohio Revised Code § 5705.38	Yes	N/A
2010-VOA-004	Ohio Revised Code § 5705.36	Yes	N/A
2010-VOA-005	Ohio Revised Code § 5705.36	Yes	N/A
2010-VOA-006	Ohio Revised Code § 5705.36(A)(4)	Yes	N/A
2010-VOA-007	Ohio Revised Code § 5705.39	No	Reissued in the Management Letter
2010-VOA-008	Ohio Revised Code § 5705.40	Yes	N/A
2010-VOA-009	Ohio Revised Code § 5705.41(B)	Yes	N/A
2010-VOA-010	Ohio Revised Code § 5705.41(D) Timely Certification	No	Reissued in the Management Letter
2010-VOA-011	Ohio Revised Code § 5705.10 Negative Fund Balance	No	Reissued in the Management Letter
2010-VOA-012	Mortgage Revenue Bond Debt Covenant	No	Reissued as Finding 2012-003



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VILLAGE OF ASHLEY

DELAWARE 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 20, 2014**