

**VILLAGE OF WAYNE LAKES
DARKE COUNTY
Regular Audit
December 31, 2008 and 2007**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA

Auditor of State

Village Council
Village of Wayne Lakes
3522 North Drive
Greenville, Ohio 45331

We have reviewed the *Independent Accountants' Report* of the Village of Wayne Lakes, Darke County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 6, 2010

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**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

December 11, 2009

Village of Wayne Lakes
Darke County
100 Community Drive
Greenville, Ohio 45331

To the Village Council:

We have audited the accompanying financial statements of the **Village of Wayne Lakes, Darke County, Ohio**, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Wayne Lakes, Darke County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The accompanying financial statements have been prepared assuming the Village will continue as a going concern. As discussed in Note 8 to the financial statements, the Village has suffered net losses and did not have an adequate fund balance in the Debt Service Fund during 2008 to make its debt payment, thus leading to a deficit balance in the Fund. These conditions raise substantial doubt about the Village's ability to continue as a going concern. Management's plans regarding those matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 57,938	\$ 3,866	\$ -	\$ -	\$ 61,804
Intergovernmental	47,187	33,432	16,651	354,207	451,477
Charges for Services	18,017	-	-	-	18,017
Licenses, Permits, and Fees	12,996	-	-	-	12,996
Earnings on Investments	460	169	32	174	835
Miscellaneous	5,486	-	-	-	5,486
	<u>142,084</u>	<u>37,467</u>	<u>16,683</u>	<u>354,381</u>	<u>550,615</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	171	-	-	-	171
Public Health Services	3,268	-	-	-	3,268
Leisure Time Activities	56,784	-	-	-	56,784
Basic Utility Services	5,280	-	-	-	5,280
Transportation	-	32,445	-	3,367	35,812
General Government	54,043	-	-	-	54,043
Miscellaneous	785	-	439	-	1,224
Capital Outlay	5,640	-	-	611,459	617,099
Debt Service:					
Principal Payment	425	3,894	50,000	-	54,319
Interest and Fiscal Charges	97	381	16,800	-	17,278
	<u>126,493</u>	<u>36,720</u>	<u>67,239</u>	<u>614,826</u>	<u>845,278</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Disbursements	<u>15,591</u>	<u>747</u>	<u>(50,556)</u>	<u>(260,445)</u>	<u>(294,663)</u>
Other Financing Receipts/(Disbursements)					
Note Proceeds	<u>5,640</u>	<u>-</u>	<u>-</u>	<u>269,832</u>	<u>275,472</u>
Total Other Financing Receipts/(Disbursements)	<u>5,640</u>	<u>-</u>	<u>-</u>	<u>269,832</u>	<u>275,472</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>21,231</u>	<u>747</u>	<u>(50,556)</u>	<u>9,387</u>	<u>(19,191)</u>
Fund Cash Balances, January 1	<u>19,831</u>	<u>22,899</u>	<u>-</u>	<u>7,960</u>	<u>50,690</u>
Fund Cash Balances, December 31	<u>\$ 41,062</u>	<u>\$ 23,646</u>	<u>\$ (50,556)</u>	<u>\$ 17,347</u>	<u>\$ 31,499</u>

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

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 57,184	\$ 3,534	\$ -	\$ -	\$ 60,718
Intergovernmental	45,268	34,907	16,952	21,742	118,869
Charges for Services	12,098	-	-	-	12,098
Licenses, Permits, and Fees	14,282	-	-	-	14,282
Earnings on Investments	914	283	38	92	1,327
Miscellaneous	6,149	-	-	-	6,149
Total Cash Receipts	135,895	38,724	16,990	21,834	213,443
Cash Disbursements:					
Current:					
Security of Persons and Property	137	-	-	-	137
Public Health Services	1,599	-	-	-	1,599
Leisure Time Activities	22,673	-	-	-	22,673
Basic Utility Services	5,280	-	-	-	5,280
Transportation	-	28,509	-	-	28,509
General Government	47,216	-	377	-	47,593
Miscellaneous	1,515	-	-	-	1,515
Capital Outlay	-	7,674	-	13,874	21,548
Debt Service:					
Redemption of Principal	416	6,910	50,000	-	57,326
Interest and Fiscal Charges	130	449	19,050	-	19,629
Total Cash Disbursements	78,966	43,542	69,427	13,874	205,809
Total Cash Receipts Over/(Under) Disbursements	56,929	(4,818)	(52,437)	7,960	7,634
Other Financing Receipts/(Disbursements):					
Note Proceeds	-	7,674	-	-	7,674
Transfer-In	-	-	52,437	-	52,437
Transfer-Out	(52,437)	-	-	-	(52,437)
Total Other Financing Receipts/(Disbursements)	(52,437)	7,674	52,437	-	7,674
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,492	2,856	-	7,960	15,308
Fund Cash Balances, January 1	15,339	20,043	-	-	35,382
Fund Cash Balances, December 31	\$ 19,831	\$ 22,899	\$ -	\$ 7,960	\$ 50,690

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

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Wayne Lakes, Darke County, Ohio (the Village) as a body corporate and public established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides general governmental services and contracts with the Tri-Village Joint Ambulance District to provide ambulance services for the Village. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

D. FUND ACCOUNTING (Continued)

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Bond Retirement Fund – This fund receives property taxes for a recreational site acquisition and improvement bond levy.

4. Capital Project Funds

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

Bridges Construction Fund - This fund receives grant money for the purpose of covering costs incurred with a construction project.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2008 and 2007 budgetary activity appears in Note 4.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2008</u>	<u>2007</u>
Demand Deposits	\$ 8,806	\$ 28,579
Money Market Savings	<u>22,693</u>	<u>22,111</u>
Total Deposits	<u>\$ 31,499</u>	<u>\$ 50,690</u>

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

Investments: Investments in money market savings funds are not evidenced by securities that exist in physical or book-entry form.

3. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible property to the county by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 133,312	\$ 147,724	\$ 14,412
Special Revenue	38,829	37,467	(1,362)
Debt Service	67,000	16,683	(50,317)
Capital Projects	21,090	624,213	603,123
Total	<u>\$ 260,231</u>	<u>\$ 826,087</u>	<u>\$ 565,856</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 96,658	\$ 126,493	\$ (29,835)
Special Revenue	41,100	36,720	4,380
Debt Service	67,000	67,239	(239)
Capital Projects	634,510	614,826	19,684
Total	<u>\$ 839,268</u>	<u>\$ 845,278</u>	<u>\$ (6,010)</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 143,175	\$ 135,895	\$ (7,280)
Special Revenue	40,041	46,398	6,357
Debt Service	70,000	69,427	(573)
Capital Projects	21,090	21,834	744
Total	<u>\$ 274,306</u>	<u>\$ 273,554</u>	<u>\$ (752)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 88,565	\$ 131,403	\$ (42,838)
Special Revenue	50,600	43,542	7,058
Debt Service	69,050	69,427	(377)
Capital Projects	21,090	13,874	7,216
Total	<u>\$ 229,305</u>	<u>\$ 258,246</u>	<u>\$ (28,941)</u>

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Revised Code Section 5705.10, the Village had a negative fund balance in the Bond Retirement Fund as of December 31, 2008.

Contrary to Ohio Revised Code Section 5705.36, amended certificates were not increased or decreased for several funds during 2008 and 2007.

Contrary to Ohio Revised Code Section 5705.39, the Village appropriations exceeded total estimated resources in the Road and Bridge Fund in 2008 and Street Maintenance Fund in 2007.

Contrary to Ohio Revised Code Section 5705.41(B), actual disbursements exceeded appropriations in the General Fund, Bond Retirement Fund, and Bridge Project Fund in 2008 and the General Fund and Bond Retirement Fund in 2007.

Contrary to Ohio Revised Code Section 5705.41 (D), the Village had expenditures not properly encumbered for 36% of the disbursements tested during 2008 and 31% of expenditures tested during 2007.

5. RETIREMENT SYSTEMS

The Village's full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. Members of OPERS contributed 10% (2008) and 9.5% (2007) of their gross salaries. The Village contributed an amount equal to 14% (2008) and 13.85% (2007) of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

6. DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$ 290,000	4.60%
2nd National Bank (Tractor Lease-Purchase)	4,569	7.70%
2nd National Bank (Surveillance System)	5,214	7.00%
OPWC Loan (Bridge Replacement Project)	<u>269,832</u>	<u>0.00%</u>
Total	<u>\$ 569,615</u>	

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. DEBT (Continued)

The Village entered into an agreement on April 1, 1999 for General Obligation Bonds 1999 A & B were issued to retire the Final Judgment Bonds and General Obligation Bonds. Those bonds were originally issued to pay for a recreational site acquisition and improvement. The loan principal is repaid in annual installments with interest being paid in semi-annual installments.

The Village entered into an agreement on April 9, 2007 with 2nd National Bank for the lease-to-own agreement for four years for a tractor. The principal loan amount was \$7,674 at 7.70%, payments are \$182.27 monthly and is scheduled to be paid off April 15, 2011.

The Village entered into a loan agreement on September 26, 2008 with 2nd National Bank for a surveillance system. The principal loan amount was for \$5,640 at 7.00% with monthly payments of \$174.38. This debt is scheduled to be paid off on September 26, 2011.

The Village entered into an agreement on November 26, 2008 with OPWC to loan \$269,832 for Bridge Replacement. This is a zero interest loan that will be paid off on January 1, 2039. Payments are \$4497.00 semi-annually.

Amortization of the above debt, including interest, follows:

Year Ending December 31, 2008	General Bonds	2nd National	2nd National	OPWC
2009	\$ 64,500	2187	2092	\$ 4,497
2010	67,150	2187	2092	8,994
2011	29,510	546	1570	8,994
2012	33,530		-	8,994
2013	32,280		-	8,994
2014-2018	130,340		-	44,972
2019-2023	-		-	44,972
2024-2028	-		-	44,972
2029-2033	-		-	44,972
2034-2038	-		-	44,972
2039	-		-	4,499
Total	\$ 357,310	\$ 4,920	\$ 5,754	\$ 269,832

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. RISK MANAGEMENT

Risk Pool Management

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a nonassessable, unincorporated non-profit association providing a formalized, jointly administered self insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31st, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$ 11,136,455	\$ 9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Member Equity	<u>\$ 6,862,902</u>	<u>\$ 6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. GOING CONCERN

The Village has suffered recent net losses and did not have an adequate fund balance in the Debt Service Fund during 2008 to make its debt payment, thus leading to a deficit balance in the fund.

While the Village is in a positive cash balance position, a large portion of the cash is in Special Revenue Funds and the Capital Projects Fund. The use of these funds are limited either by statute or by levy ballot language and therefore, the Village is not permitted to use these monies to remedy the deficit balance in the Debt Service Fund.

Based on information currently available, the Village had an unforeseen expense in 2008 to make the local lodge handicap accessible which attributed to the shortage of funds. The Village is studying various remedies such as increasing fees to help increase revenue as well as exploring areas in which expenditures can be reduced in the General Fund in order to transfer additional funds from the General Fund to the Debt Service Fund to alleviate the negative fund balance.

The Auditor of State has various remedies available to it, the most severe of which include placing the Village on fiscal watch or fiscal emergency. The Village does not know if such action will be taken.

The accompanying financial statements do not include any adjustments that might be necessary if the Village is unable to continue as a going concern.

Perry & Associates
Certified Public Accountants, A.C.

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

December 11, 2009

Village of Wayne Lakes
Darke County
100 Community Drive
Greenville, Ohio 45331

To the Village Council:

We have audited the financial statements of **The Village of Wayne Lakes, Darke County, Ohio** (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated December 11, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of audit findings to be significant deficiencies in internal control over financial reporting: 2008-001 through 2008-009.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiencies 2008-001 through 2008-003 described above are 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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2008-001 through 2008-007.

This report is intended solely for the information and use of management and Village Council and is not intended to be, and should not be used by anyone other than these specified parties.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance Citation/ Significant Deficiency/Material Weakness

Ohio Revised Code Section 117.38 states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village filed the Annual Financial Report with the Auditor of State's office but the amounts in the report did not agree with the amounts on the Village's accounting system for 2008 and 2007. Several reclassification and adjustments were made to the financial statement for both years. In addition, no evidence was presented for audit to indicate the Village published a notice in a local newspaper stating the financial report is available for public inspection.

We recommend the Annual Financial Report be compiled from the Village's accounting system and be reconciled. In addition, the Village should publish notice in a local newspaper that the financial report is available for public inspection.

Management's Response – We did not receive a response from officials to this finding

FINDING NUMBER 2008-002

Noncompliance Citation/ Significant Deficiency/Material Weakness

Ohio Revised Code Section 733.28 requires the Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village did not properly classify receipt and disbursement transactions. An accurate record was not maintained for all monies received by the Village. The following misstatements were noted:

- Debt payments were improperly posted to Capital Outlay and Transportation rather than Redemption of Principal and Interest in 2008 and 2007
- 2008 and 2007 Note Proceeds and Capital Outlay expenditures were not posted to the Village's accounting system.
- Fishing permit sales were recorded at the net amount. Fishing expenses were deducted from the total sales collection and recorded on the financial statements at the net amount received. The Village should record the gross revenue and show the corresponding expenditure.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-002 (Continued)

Ohio Revised Code Section 733.28 (Continued)

- Franchise Fees from Time Warner were recorded as Licenses and Permits instead of Miscellaneous Income.
- Swimming Pool Receipts were recorded as Licenses, Permits, and Fee's rather than Charges for Services.

The annual financial report should then be completed accurately to ensure that the Village's financial activity is being properly reported. The financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Village Handbook for guidance to determine the proper classification of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding

FINDING NUMBER 2008-003

Noncompliance Citation/ Significant Deficiency/Material Weakness

Ohio Revised Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Village had negative fund balance at December 31, 2008 as follows:

<u>Fund</u>	<u>2008</u>
Bond Retirement Fund	\$ (50,566)

We recommend the Village monitor their fund balances and, when a deficit occurs and is expected to be temporary (i.e., pending the receipt of a grant, tax settlement, etc), we recommend the Village advance monies from the General Fund until the debtor fund can advance the monies back. We recommend that expenditures and income be watched closer by the Fiscal Officer and Council to prevent the Bond Retirement Fund from going into the negative.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-004

Noncompliance Citation/Significant Deficiency

Ohio Revised Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

During 2008 and 2007, the Village did not obtain a reduced or increased amended certificate for several funds when the actual receipts were greater or less than the budgeted receipts.

The Village should perform a comparison of the estimated resources and the actual receipts periodically in order to determine whether an amended certificate of estimated resources needs to be obtained.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2008-005

Noncompliance Citation/ Significant Deficiency

Ohio Revised Code Section 5705.39 requires that total appropriations from each fund do not exceed total estimated resources from each fund. This section also requires the Village to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

Appropriations exceeded total estimated resources for the Road and Bridge Fund in 2008 and the Street Maintenance Fund in 2007.

We recommend that the Village Council monitor appropriations versus estimated fund resources to avoid overspending.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2008-006

Noncompliance Citation/ Significant Deficiency

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2008 in the General Fund, Bond Retirement Fund and Capital Projects Fund and in the General Fund and Bond Retirement Fund in 2007.

We recommend the Village Fiscal Officer modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Village Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-006 (Continued)

Ohio Revised Code Section 5705.41 (B) (Continued)

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2008-007

Noncompliance Citation/ Significant Deficiency

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-007 (Continued)

Ohio Revised Code Section 5705.41(D) (Continued)

The certification of availability of unencumbered appropriations for expenditure was not obtained for 36% of expenditures tested during 2008 and 31% of expenditures testing during 2007.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2008-008

Significant Deficiency

Complete Voucher Packages

The completed voucher packages should be the basis for the preparation of checks. The package should include the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of the goods or services and the accuracy of the quantity and price, and a copy of the requisition or purchase order to document the fiscal officer's prior certification that sufficient appropriations and resources were available to meet the obligation.

The Village did not always present complete voucher packages to support expenditures. In 2008, 20% of expenditures tested and 9% of the expenditures tested in 2007 did not include the original invoice or supporting documentation. This practice and lack of adequate supporting documentation could result in loss of Village funds or personal liability of the Village's Officials. Through additional procedures we were able to obtain sufficient assurances for the expenditures.

We recommend that all expenditures be supported by complete voucher packages, including the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of goods or services and the accuracy of the quantity and price, a copy of the requisition or purchase order to document the Fiscal Officer's prior certification, to help insure that all Village expenditures are for goods or services received, properly approved, and for a proper public purpose.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-009

Significant Deficiency

Timely Deposits

During our review of receipts, we noted several instances in which receipts were not deposited with the Village Fiscal officer for several days and/or monies were not deposited in a public depository on a timely basis.

The practice allows for monies of the Village to be improperly safeguarded.

We recommend the Village take steps to ensure deposits are made timely and are properly safeguarded. Per Ohio Revised Code, the Village could adopt a policy to allow deposits of less than \$1,000 to be deposited within three business days.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC Section 5705.41(D) – Expenditures not properly encumbered.	No	Not Corrected; Repeated as Finding 2008-007
2006-002	ORC Section 5705.41(B) – Expenditures exceeding appropriations.	No	Not Corrected; Repeated as Finding 2008-006
2006-003	ORC Section 5705.39 – Appropriations shall not exceed estimated resources.	No	Not Corrected; Repeated as Finding 2008-005
2006-004	ORC Section 117.38 – Filing financial report for each year within 60 days.	No	Not Corrected; Repeated as Finding 2008-001
2006-005	ORC Section 5705.36 – Increase and decreasing of amended certificates.	No	Not Corrected; Repeated as Finding 2008-004
2006-006	ORC Section 733.28 – Fiscal Officer maintain accurate record of monies received and expended.	No	Not Corrected; Repeated as Finding 2008-002



Mary Taylor, CPA
Auditor of State

VILLAGE OF WAYNE LAKES

DARKE 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
JANUARY 19, 2010**