

**VILLAGE OF WAYNE LAKES
DARKE COUNTY
Regular Audit
For the Years Ended December 31, 2010 and 2009**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Members of Council
Village of Wayne Lakes
100 Community 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, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 5, 2012

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**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

January 10, 2012

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

To the Village Council:

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

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009 or its changes in financial position 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 Village of Wayne Lakes, Darke County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The accompanying financial statements have been prepared assuming the Village will continue as a going concern. As discussed in Note 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 2009 and 2010 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 January 10, 2012, 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, 2010**

	<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	\$ 53,506	\$ -	\$ 14,425	\$ 16,003	\$ 83,934
Intergovernmental	47,965	37,093	341	-	85,399
Charges for Services	12,036	-	-	-	12,036
Fines, Licenses, and Permits	18,973	-	-	-	18,973
Earnings on Investments	219	-	-	-	219
Miscellaneous	4,618	-	-	-	4,618
Total Cash Receipts	<u>137,317</u>	<u>37,093</u>	<u>14,766</u>	<u>16,003</u>	<u>205,179</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	171	-	-	-	171
Public Health Services	12,872	-	-	-	12,872
Leisure Time Activities	48,563	-	-	-	48,563
Basic Utility Services	3,586	-	-	-	3,586
Transportation	-	21,320	-	-	21,320
General Government	34,500	-	-	-	34,500
Capital Outlay	13,400	-	-	23,640	37,040
Debt Service:					
Redemption of Principal	1,910	2,067	55,000	8,994	67,971
Interest and Fiscal Charges	182	120	12,150	-	12,452
Total Cash Disbursements	<u>115,184</u>	<u>23,507</u>	<u>67,150</u>	<u>32,634</u>	<u>238,475</u>
Total Cash Receipts Over/(Under) Disbursements	<u>22,133</u>	<u>13,586</u>	<u>(52,384)</u>	<u>(16,631)</u>	<u>(33,296)</u>
Other Financing Receipts/(Disbursements):					
Note Proceeds	13,400	-	-	-	13,400
Transfer-In	-	-	50,000	-	50,000
Transfer-Out	(50,000)	-	-	-	(50,000)
Total Other Financing Receipts/(Disbursements)	<u>(36,600)</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>13,400</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(14,467)</u>	<u>13,586</u>	<u>(2,384)</u>	<u>(16,631)</u>	<u>(19,896)</u>
Fund Cash Balances, January 1	<u>31,189</u>	<u>38,519</u>	<u>(50,040)</u>	<u>15,586</u>	<u>35,254</u>
Fund Cash Balances, December 31	<u>\$ 16,722</u>	<u>\$ 52,105</u>	<u>\$ (52,424)</u>	<u>\$ (1,045)</u>	<u>\$ 15,358</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, 2009**

	<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	\$ 54,113	\$ -	\$ 14,745	\$ 16,383	\$ 85,241
Intergovernmental	42,604	36,591	460	546	80,201
Charges for Services	11,480	-	-	-	11,480
Fines, Licenses, and Permits	19,993	-	-	-	19,993
Earnings on Investments	396	-	-	-	396
Miscellaneous	5,863	-	-	-	5,863
Total Cash Receipts	<u>134,449</u>	<u>36,591</u>	<u>15,205</u>	<u>16,929</u>	<u>203,174</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	236	-	-	-	236
Public Health Services	3,368	-	-	-	3,368
Leisure Time Activities	39,505	-	-	-	39,505
Basic Utility Services	5,280	-	-	-	5,280
Transportation	-	19,531	-	-	19,531
General Government	43,841	-	189	-	44,030
Capital Outlay	-	-	-	14,193	14,193
Debt Service:					
Redemption of Principal	1,780	1,937	50,000	4,497	58,214
Interest and Fiscal Charges	312	250	14,500	-	15,062
Total Cash Disbursements	<u>94,322</u>	<u>21,718</u>	<u>64,689</u>	<u>18,690</u>	<u>199,419</u>
Total Cash Receipts Over/(Under) Disbursements	<u>40,127</u>	<u>14,873</u>	<u>(49,484)</u>	<u>(1,761)</u>	<u>3,755</u>
Other Financing Receipts/(Disbursements):					
Transfer-In	-	-	50,000	-	50,000
Transfer-Out	(50,000)	-	-	-	(50,000)
Total Other Financing Receipts/(Disbursements)	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,873)	14,873	516	(1,761)	3,755
Fund Cash Balances, January 1	<u>41,062</u>	<u>23,646</u>	<u>(50,556)</u>	<u>17,347</u>	<u>31,499</u>
Fund Cash Balances, December 31	<u>\$ 31,189</u>	<u>\$ 38,519</u>	<u>\$ (50,040)</u>	<u>\$ 15,586</u>	<u>\$ 35,254</u>

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, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Wayne Lakes, Darke County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council and provides general governmental services, street construction and maintenance, and park operations (leisure time activities).

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

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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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

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.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 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. Appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled and reappropriated in the subsequent year. The Village did not encumber all commitments as required by Ohio law.

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

F. Property, Plant and Equipment

Acquisition of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2010	2009
Demand Deposits	\$ 3,124	\$ 17,217
Money Market Savings	12,234	18,037
Total Deposits and Investments	\$15,358	\$ 35,254

Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool. Investments in money market savings funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 131,305	\$ 150,717	\$ 19,412
Special Revenue	36,591	37,093	502
Debt Service	67,150	64,766	(2,384)
Capital Projects	17,000	16,003	(997)
Total	\$ 252,046	\$ 268,579	\$ 16,533

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 91,728	\$ 165,184	\$ (73,456)
Special Revenue	33,800	23,507	10,293
Debt Service	76,385	67,150	9,235
Capital Projects	-	32,634	(32,634)
Total	\$ 201,913	\$ 288,475	\$ (86,562)

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 142,046	\$ 134,449	\$ (7,597)
Special Revenue	36,734	36,591	(143)
Debt Service	64,500	65,205	705
Capital Projects	18,000	16,929	(1,071)
Total	\$ 261,280	\$ 253,174	\$ (8,106)

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 91,893	\$ 144,322	\$ (52,429)
Special Revenue	33,800	21,718	12,082
Debt Service	101,500	64,689	36,811
Capital Projects	11,000	18,690	(7,690)
Total	\$ 238,193	\$ 249,419	\$ (11,226)

Contrary to Ohio Revised Code Section 5705.10, the Village had a negative fund balance in the Bond Retirement Fund as of December 31, 2010 and 2009.

Contrary to Ohio Revised Code Section 5705.36, amended certificates were not increased or decreased for several funds during 2010 and 2009.

Contrary to Ohio Revised Code Section 5705.39, the Village appropriations exceeded total estimated resources in the Bond Retirement Fund in 2010 and 2009.

Contrary to Ohio Revised Code Section 5705.41(B), actual disbursements exceeded appropriations in the General Fund and Bridge Project Fund in 2010 and 2009.

Contrary to Ohio Revised Code Section 5705.41 (D), the Village had expenditures not properly encumbered for 32% of the disbursements tested during 2010 and 27% of expenditures tested during 2009.

4. PROPERTY TAX

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

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

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

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

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

5. RETIREMENT SYSTEMS

The Village's Mayor, Fiscal Officer, and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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. For 2010 and 2009, members of OPERS contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

6. DEBT

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$ 185,000	4.60%
2nd National Bank (Tractor Lease-Purchase)	565	7.70%
2nd National Bank (Surveillance System)	1,524	7.00%
2nd National Bank (Windows)	13,400	6.00%
OPWC Loan (Bridge Replacement Project)	256,341	0.00%
Total	\$ 456,830	

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 Second 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 Second 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 a loan agreement on December 1, 2010 with Second National Bank for new windows in the community building. The principal loan amount was for \$13,400 at 6.00% with monthly payments of \$259.60. This debt is scheduled to be paid off on December 1, 2015.

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

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

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

6. DEBT (Continued)

Amortization of the above debt, including interest, follows:

Year Ending December 31,	General Bonds	2nd National	2nd National	2nd National	OPWC	Total
2011	\$ 29,510	\$ 571	\$ 1,570	\$ 3,115	\$ 8,994	\$43,760
2012	33,530	-	-	3,115	8,994	45,639
2013	32,280	-	-	3,115	8,994	44,389
2014	30,980	-	-	3,115	8,994	43,089
2015	34,680	-	-	3,115	8,994	46,789
2016-2020	64,680	-	-	-	44,972	109,652
2021-2025	-	-	-	-	44,972	44,972
2026-2030	-	-	-	-	44,972	44,972
2031-2035	-	-	-	-	44,972	44,972
2036-2039	-	-	-	-	31,483	31,483
Total	<u>\$ 225,660</u>	<u>\$ 571</u>	<u>\$ 1,570</u>	<u>\$ 15,575</u>	<u>\$256,341</u>	<u>\$499,717</u>

7. RISK MANAGEMENT

Risk Pool Membership

Prior to 2009, the Village belonged to 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 was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), 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 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

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

7. RISK MANAGEMENT (Continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

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 31: 2010 and 2009, and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

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

8. GOING CONCERN

The Village has suffered recent net losses and did not have an adequate fund balance in the Debt Service Fund during 2010 and 2009 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.

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

January 10, 2012

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

To the Village Council:

We have audited the financial statements of **Village of Wayne Lakes**, Darke County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated January 10, 2012, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001 through 2010-003 as described in the accompanying schedule of audit findings to be material weaknesses.

Internal Control over Financial Reporting (Continued)

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 2010-004 through 2010-010 as described in the accompanying schedule of audit findings to be significant deficiencies.

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 Standards*, which are described in the accompanying schedule of audit findings as items 2010-001 through 2010-007.

We intend this report solely for the information and use of Village management, Village Council and others within the Village. We intend it for no one 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, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Noncompliance Finding/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 2010 and 2009. Several reclassifications 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 2010-002

Noncompliance Finding/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 2010 and 2009
- 2010 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.
- 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.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-002 (Continued)

Ohio Revised Code Section 733.28 (Continued)

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 2010-003

Noncompliance Finding/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, as follows:

<u>Fund</u>	<u>2010</u>	<u>2009</u>
Bond Retirement Fund	(\$52,424)	(\$50,040)

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, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-004

Noncompliance Finding/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 2010 and 2009, the Village did not obtain a reduced or increased amended certificate for several funds when the actual receipts were 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 2010-005

Noncompliance Finding/ 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 Bond Retirement Fund in 2010 and 2009.

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 2010-006

Noncompliance Finding/ 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 2010 and 2009 in the General Fund and Capital Projects Fund.

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.

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, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-007

Noncompliance Finding/ 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.

The certification of availability of unencumbered appropriations for expenditure was not obtained for 32% of expenditures tested during 2010 and 27% of expenditures testing during 2009.

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.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-008

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 2010, 32% of expenditures tested and 23% of the expenditures tested in 2009 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.

FINDING NUMBER 2010-009

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 AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-010

Significant Deficiency

Management Monitoring for Internal Control

The Village Council has not established effective internal control processes for monitoring of Village financial activity. Examples of deficiencies in monitoring controls include the following;

- Some checks were signed by only one signatory
- Monthly Bank Reconciliations with supporting documentation were not presented to council
- A list of expenditures was not presented to council prior to payment
- Finance and payroll reports were not presented to Council
- Lack of a review of Annual Financial Report for accuracy prior to submission to AOS

We recommend Council establish effective internal control processes and address each of the above noted control weaknesses. This could include such things as receiving a monthly report package (budget vs. actual reports as well as revenue and expense reports), reviewing the monthly bank reconciliation and support, establishing pay rates annually, having a set time for reviewing and issuing payroll and non-payroll disbursements, and requiring two signatures on all checks. This will help Council effectively monitor the Village's financial position and will aid in the timely detection of errors or irregularities.

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, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC Section 117.38 – Filing financial report for each year within 60 days.	No	Not Corrected; Repeated as Finding 2010-001
2008-002	ORC Section 733.28 – Fiscal Officer maintain accurate record of monies received and expended.	No	Not Corrected; Repeated as Finding 2010-002
2008-003	ORC Section 5705.10 – Negative fund balance.	No	Not Corrected; Repeated as Finding 2010-003
2008-004	ORC Section 5705.36 – Increase and decreasing of amended certificates.	No	Not Corrected; Repeated as Finding 2010-004
2008-005	ORC Section 5705.39 – Appropriations shall not exceed estimated resources.	No	Not Corrected; Repeated as Finding 2010-005
2008-006	ORC Section 5705.41(B) – Expenditures exceeding appropriations.	No	Not Corrected; Repeated as Finding 2010-006
2008-007	ORC Section 5705.41(D) – Expenditures not properly encumbered.	No	Not Corrected; Repeated as Finding 2010-007
2008-008	Complete Voucher Packages	No	Not Corrected; Repeated as Finding 2010-008
2008-009	Timely Deposits	No	Not Corrected; Repeated as Finding 2010-009



Dave Yost • 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
APRIL 17, 2012