



Dave Yost • Auditor of State

VILLAGE OF WAYNE LAKES
DARKE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types – For the Year Ended December 31, 2016.....	5
Notes to the Financial Statements – For the Year Ended December 31, 2016	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types – For the Year Ended December 31, 2015.....	15
Notes to the Financial Statements – For the Year Ended December 31, 2015	17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	25
Schedule of Findings.....	27
Summary Schedule of Prior Audit Findings (Prepared by Management).....	35

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Wayne Lakes, Darke County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Wayne Lakes, Darke County, as of December 31, 2016 and 2015, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter Regarding Restatement

As discussed in Note 13 to the financial statements for the year ended December 31, 2015, the Village restated its beginning fund balances for 2015. We did not modify our opinion regarding this matter.

Emphasis of Matter Regarding Financial Difficulties

As discussed in Note 12 to the financial statements for the years ended December 31, 2016 and 2015, the Village posted adjustments to their General Fund resulting in negative fund balances of (\$5,416) and (\$7,223), respectively and Debt Service Fund resulting in negative fund balances of (\$33,164) and (\$17,601), respectively. Note 12 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

May 31, 2018

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**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$67,629	\$23,766	\$17,793		\$109,188
Intergovernmental	41,959	36,350	3,323		81,632
Charges for Services	26,851				26,851
Fines, Licenses and Permits	7,190				7,190
Miscellaneous	1,536				1,536
Total Cash Receipts	<u>145,165</u>	<u>60,116</u>	<u>21,116</u>		<u>226,397</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	7,355	685			8,040
Public Health Services	3,131				3,131
Leisure Time Activities	60,470				60,470
Community Environment	1,778				1,778
Basic Utility Services	14,024				14,024
Transportation	0	17,138			17,138
General Government	53,763	3,954	3,559		61,276
Capital Outlay	1,147			\$169	1,316
Debt Service:					
Principal Retirement	1,528	17,802	30,000		49,330
Interest and Fiscal Charges	162	413	3,120		3,695
Total Cash Disbursements	<u>143,358</u>	<u>39,992</u>	<u>36,679</u>	<u>169</u>	<u>220,198</u>
Excess of Receipts Over (Under) Disbursements	<u>1,807</u>	<u>20,124</u>	<u>(15,563)</u>	<u>(169)</u>	<u>6,199</u>
Other Financing Receipts (Disbursements):					
Sale of Bonds				11,865	11,865
Total Other Financing Receipts (Disbursements)				<u>11,865</u>	<u>11,865</u>
Net Change in Fund Cash Balances	1,807	20,124	(15,563)	11,696	18,064
Fund Cash Balances, January 1	<u>(7,223)</u>	<u>49,957</u>	<u>(17,601)</u>		<u>25,133</u>
Fund Cash Balances, December 31:					
Restricted		70,081		11,696	81,777
Unassigned (Deficit)	<u>(5,416)</u>		<u>(33,164)</u>		<u>(38,580)</u>
Fund Cash Balances, December 31	<u>(\$5,416)</u>	<u>\$70,081</u>	<u>(\$33,164)</u>	<u>\$11,696</u>	<u>\$43,197</u>

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

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**VILLAGE OF WAYNE LAKES, OHIO
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. REPORTING ENTITY

The Village of Wayne Lakes (the Village), Darke County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street construction and maintenance, and park operations (leisure time activities). The Village contracts with the Darke County Sheriff's department to provide security of persons and property.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

B. Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

1. General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

2. Special Revenue Funds

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

Highway Fund - This fund receives gasoline tax and motor vehicle tax for constructing, maintaining and repairing that portion of State Highway 121 that is within the limits of the Village.

Bridge/Road Levy Fund - This fund receives real estate tax money from a voted on levy to provide funds for the constructing, maintaining and repairing of Village roads and bridges.

Road Maintenance Fund - This fund receives gasoline tax and motor vehicle tax for constructing, maintaining and repairing roads within the Village.

**VILLAGE OF WAYNE LAKES, OHIO
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had a significant Bond Retirement Fund that receives property taxes for a recreational site acquisition and improvement bond levy.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had a significant Capital Project Fund created for the purpose of recording transactions in connection with the Beach concession stand remodeling.

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

VILLAGE OF WAYNE LAKES, OHIO
DARKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets

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

F. Fund Balance

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

Non-spendable - The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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

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

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

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

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

3. COMPLIANCE

Contrary to Ohio law, the Village did not file appropriations with the Darke County Auditor during 2016 nor maintain a copy of the appropriations. As a result, none of the appropriations for 2016 were considered to be legally effective, which led to expenditures exceeding appropriations in all funds for 2016. The budgetary note disclosures report zero appropriations for 2016.

**VILLAGE OF WAYNE LAKES, OHIO
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

3. COMPLIANCE (Continued)

Also contrary to Ohio law, at December 31, 2016, the General and Debt Service Funds had cash deficit balances of \$(5,416) and \$(33,164), respectively.

Also contrary to Ohio law and Village Ordinance 99-06, the Village made improper transfers during 2016.

Also contrary to Ohio law, the Village held raffles in 2016.

4. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$136,930	\$145,165	\$8,235
Special Revenue	55,587	60,116	4,529
Debt Service	114,906	21,116	(93,790)
Capital Projects	13,180	11,865	(1,315)
Total	<u>\$320,603</u>	<u>\$238,262</u>	<u>(\$82,341)</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$0	\$143,358	(\$143,358)
Special Revenue	0	39,992	(39,992)
Debt Service	0	36,679	(36,679)
Capital Projects	0	169	(169)
Total	<u>\$0</u>	<u>\$220,198</u>	<u>(\$220,198)</u>

5. DEPOSITS

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:

	2016
Demand deposits	\$43,197

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

**VILLAGE OF WAYNE LAKES, OHIO
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

6. TAXES

Property Taxes

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

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

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

7. RISK MANAGEMENT

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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 equity at December 31, 2016.

	2016
Assets	\$14,765,712
Liabilities	(9,531,506)
Members' Equity	<u>\$5,234,206</u>

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

**VILLAGE OF WAYNE LAKES, OHIO
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

9. POST-EMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

10. DEBT

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$20,980	5.2%
Snow Plow Loan	6,763	3.5%
Mower Loan	3,764	3.5%
Ohio Public Works Commission Loan	202,374	0.0%
Concession Stand Bond	11,865	3.5%
Total	<u>\$245,746</u>	

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 in September 2012 with Second National Bank for the lease-to-own agreement for five years for a truck and plow. The principal loan amount was \$42,181 at 3.5%. Monthly payments are \$768, and the loan is scheduled to be paid off August 2017.

The Village entered into a loan agreement on November 26, 2008 with the Ohio Public Works Commission (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 \$4,497 semi-annually.

The Village entered into a loan agreement on April 25, 2015 with Second National Bank for the purchase of a John Deere Mower. The principal loan amount was \$6,298 at 3.5%. Monthly payments are \$141 and the loan is scheduled to be paid off April 25, 2019.

The Village entered into a loan agreement on December 16, 2016 with Second National Bank for the remodeling and updating of the Beach Concession Stand. The principal loan amount was \$11,865 at 3.5%. Monthly payments are \$216 and the loan is scheduled to be paid off January 1, 2022.

**VILLAGE OF WAYNE LAKES, OHIO
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

10. DEBT (Continued)

Amortization

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

Year Ending December 31:	General Obligation Bonds	Snow Plow Loan	Mower Loan	OPWC Loan	Concession Stand Bond	Total
2017	\$31,560	\$6,147	\$1,690	\$8,994	\$2,378	\$50,769
2018			1,690	8,994	2,594	\$13,278
2019			563	8,994	2,594	\$12,151
2020				8,994	2,594	\$11,588
2021				8,994	2,594	\$11,588
2022-2026				44,973	216	\$45,189
2027-2031				44,973		\$44,973
2032-2036				44,973		\$44,973
2037-2041				22,485		\$22,485
Total	<u>\$31,560</u>	<u>\$6,147</u>	<u>\$3,943</u>	<u>\$202,374</u>	<u>\$12,970</u>	<u>\$256,994</u>

11. RELATED PARTY TRANSACTIONS

During 2016, the Village paid Michael Bland Plumbing, Heating and Air Conditioning \$8,343 for general maintenance performed for the Village, as well as for remodeling and electrical work completed at the beach concession stand. Michael Bland is a member of the Village Council.

12. FINANCIAL DIFFICULTIES

As a result of adjustments being posted to the financial statements and underlying accounting ledgers, that are a direct result of transactions being improperly posted throughout 2016, the General Fund has a negative fund balance of (\$5,416) as of December 31, 2016.

The Village did not have an adequate fund balance in the Debt Service Fund during 2016 to make its debt service payment, thus leading to a deficit balance in the fund of (\$33,164) at December 31, 2016.

While the Village is in a positive cash balance position, a large portion of the cash is in the Special Revenue Funds and 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 General Fund and the Debt Service Fund.

Negative fund balances are cause for concern and can lead to the Auditor of State determining a Fiscal Watch, Caution or Emergency exists, and appointment of a financial planning and supervision commission to assume certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Revised Code.

VILLAGE OF WAYNE LAKES, OHIO
DARKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

12. FINANCIAL DIFFICULTIES (Continued)

Management's Plan Regarding Financial Difficulties

Court ordered UAN establishment is our number one goal at this time. We did send our Fiscal Officer to training in April and have the equipment in our possession. However, with the resignation of our Fiscal Officer as of May 31, 2018, we are still in need of finishing the conversion and going live. The Mayor has received confirmation of hiring an experienced UAN Visiting Clerk to help us complete the conversion. This will take place no later than July 2018 if all goes well.

All village officials should be informed at the time of taking office of required trainings and procedures. All persons in place in an office now should be provided with same information. A resolution is recommended for this to become official.

Due to many problems with our Fiscal Officer duties, it is necessary to get our system on UAN, provide training, hire someone with experience and provide a better wage for this person. This needs to be passed by council at this point.

13. MATERIAL NONCOMPLIANCE

Contrary to *State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)*, the Village expended \$4,247 for items not deemed to be for a proper public purpose. Also contrary to **Ohio Revised Code Section 2915.092**, the Village held a raffle for a golf cart in order to raise money that did not meet all legal requirements as an allowable activity.

14. SUBSEQUENT EVENT

On December 11, 2017, the Village issued \$60,000 of bonds for the purpose of paying part of the cost of (1) refunding a portion of the Village's General Obligation Bonds (Limited Tax), Series 1999A, dated as of April 1, 1999 and (2) improving recreational facilities including concession stand and restroom improvements and renovations.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$65,630	\$23,079	\$17,430	\$106,139
Intergovernmental	35,105	71,094	3,195	109,394
Charges for Services	26,358	380		26,738
Fines, Licenses and Permits	7,506			7,506
Miscellaneous	1,120			1,120
Total Cash Receipts	<u>135,719</u>	<u>94,553</u>	<u>20,625</u>	<u>250,897</u>
Cash Disbursements				
Current:				
Security of Persons and Property	7,718	1,033		8,751
Public Health Services	3,070			3,070
Leisure Time Activities	52,760			52,760
Community Environment	398	2,000		2,398
Basic Utility Services	14,713	65		14,778
Transportation		50,399		50,399
General Government	50,886	3,940	3,546	58,372
Capital Outlay	9,142			9,142
Debt Service:				
Principal Retirement			51,668	51,668
Interest and Fiscal Charges			5,482	5,482
Total Cash Disbursements	<u>138,687</u>	<u>57,437</u>	<u>60,696</u>	<u>256,820</u>
Excess of Receipts Over (Under) Disbursements	<u>(2,968)</u>	<u>37,116</u>	<u>(40,071)</u>	<u>(5,923)</u>
Other Financing Receipts (Disbursements):				
Transfers In			22,470	22,470
Transfers Out	(4,255)	(18,215)		(22,470)
Total Other Financing Receipts (Disbursements)	<u>(4,255)</u>	<u>(18,215)</u>	<u>22,470</u>	<u>(2,000)</u>
Net Change in Fund Cash Balances	(7,223)	18,901	(17,601)	(5,923)
Fund Cash Balances, January 1 (Restated)		31,056		31,056
Fund Cash Balances, December 31:				
Restricted		49,957		49,957
Unassigned (Deficit)	(7,223)		(17,601)	(24,824)
Fund Cash Balances, December 31	<u>(\$7,223)</u>	<u>\$49,957</u>	<u>(\$17,601)</u>	<u>\$25,133</u>

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

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**VILLAGE OF WAYNE LAKES, OHIO
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. REPORTING ENTITY

The Village of Wayne Lakes (the Village), Darke County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street construction and maintenance, and park operations (leisure time activities). The Village contracts with the Darke County Sheriff's department to provide security of persons and property.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

B. Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

1. General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

2. Special Revenue Funds

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

Highway Fund This fund receives gasoline tax and motor vehicle tax for constructing, maintaining and repairing that portion of State Highway 121 that is within the limits of the Village.

Bridge/Road Levy Fund This fund receives real estate tax money from a voted on levy to provide funds for the constructing, maintaining and repairing of Village roads and bridges.

Road Maintenance Fund This fund receives gasoline tax and motor vehicle tax for constructing, maintaining and repairing roads within the Village.

**VILLAGE OF WAYNE LAKES, OHIO
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had a significant Bond Retirement Fund that receives property taxes for a recreational site acquisition and improvement bond levy.

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 4.

E. Capital Assets

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

VILLAGE OF WAYNE LAKES, OHIO
DARKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

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

Non-spendable - The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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

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

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

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

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

3. COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Road & Bridge Levy and Debt Service Funds by \$55,840 and \$5,686, respectively, for the year ended December 31, 2015.

Also contrary to Ohio law, appropriation authority exceeded estimated resources in the General and Debt Service Funds by \$66,771 and \$54,547, respectively, for the year ended December 31, 2015.

Also contrary to Ohio law, at December 31, 2015, the General and Debt Service Funds had cash deficit balances of \$(7,223) and \$(17,601), respectively.

Also contrary to Ohio law, the Village held raffles in 2015.

**VILLAGE OF WAYNE LAKES, OHIO
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$78,420	\$135,719	\$57,299
Special Revenue	45,430	94,533	49,103
Debt Service	62,000	43,095	(18,905)
Capital Projects	13,180		(13,180)
Total	\$199,030	\$273,347	\$74,317

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$148,400	\$142,942	\$5,458
Special Revenue	28,016	75,653	(47,637)
Debt Service	55,010	60,696	(5,686)
Capital Projects			
Total	\$231,426	\$279,291	(\$47,865)

5. DEPOSITS

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:

	2015
Demand deposits	\$25,133

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

6. TAXES

Property Taxes

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

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

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

**VILLAGE OF WAYNE LAKES, OHIO
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

7. RISK MANAGEMENT

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% 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 772 members as of December 31, 2015.

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 equity at December 31, 2015.

	2015
Assets	<u>\$14,643,667</u>
Liabilities	<u>(9,112,030)</u>
Members' Equity	<u>\$ 5,531,637</u>

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

8. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**VILLAGE OF WAYNE LAKES, OHIO
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

9. POST-EMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015.

10. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$50,980	5.2%
Snow Plow Loan	15,571	3.5%
Mower Loan	5,292	3.5%
Ohio Public Works Commission Loan	211,369	0.0%
Total	\$283,212	

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 in September 2012 with Second National Bank for the lease-to-own agreement for five years for a truck and plow. The principal loan amount was \$42,181 at 3.5%. Monthly payments are \$768, and the loan is scheduled to be paid off August 2017.

The Village entered into a loan agreement on November 26, 2008 with the Ohio Public Works Commission (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 \$4,497 semi-annually.

The Village entered into a loan agreement on April 25, 2015 with Second National Bank for the purchase of a John Deere Mower. The principal loan amount was \$6,298 at 3.5%. Monthly payments are \$141 and the loan is scheduled to be paid off April 25, 2019.

Amortization

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

Year Ending December 31:	General Obligation Bonds	Snow Plow Loan	Mower Loan	OPWC Loan	Total
2016	\$33,120	\$9,221	\$1,690	\$8,994	\$53,025
2017	31,560	6,147	1,690	8,994	\$48,391
2018			1,690	8,994	\$10,684
2019			563	8,994	\$9,557
2020				8,994	\$8,994
2021-2025				44,973	\$44,973
2026-2030				44,973	\$44,973
2031-2035				44,973	\$44,973
2036-2040				31,480	\$31,480
Total	\$64,680	\$15,368	\$5,633	\$211,369	\$297,050

**VILLAGE OF WAYNE LAKES, OHIO
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

11. RELATED PARTY TRANSACTIONS

During 2015, the Village paid Michael Bland Plumbing, Heating and Air Conditioning \$4,222 for general maintenance performed for the Village, as well as for remodeling and electrical work completed at the beach concession stand. Michael Bland is a member of the Village Council.

12. FINANCIAL DIFFICULTIES

As a result of adjustments being posted to the financial statements and underlying accounting ledgers, that are a direct result of transactions being improperly posted throughout 2015, the General Fund has a negative fund balance of (\$7,223) as of December 31, 2015.

The Village did not have an adequate fund balance in the Debt Service Fund during 2015 to make its debt service payment, thus leading to a deficit balance in the fund of (\$17,601) at December 31, 2015.

While the Village is in a positive cash balance position, a large portion of the cash is in the Special Revenue Funds. 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 General Fund and the Debt Service Fund.

13. RESTATED FUND BALANCE

The Village restated beginning fund balances at January 1, 2015 to reflect an adjustment of fund balances approved by the Darke County Common Pleas Court to be effective December 31, 2014. The restated fund balances were as follows:

<u>Fund Type</u>	<u>December 31, 2014 Audit Report</u>	<u>Adjustment Amount</u>	<u>Restated Balance January 1, 2015</u>
General Fund	(\$44,788)	\$44,788	
Special Revenue Fund	128,133	(97,077)	\$31,056
Debt Service Fund	(39,109)	39,109	
Capital Projects Fund	(13,180)	13,180	
Total	<u>\$31,056</u>	<u>\$0</u>	<u>\$31,056</u>

14. MATERIAL NONCOMPLIANCE

Contrary to *State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)*, the Village expended \$1,023 for items not deemed to be for a proper public purpose. Also contrary to **Ohio Revised Code Section 2915.092**, the Village held a raffle for a kayak in order to raise money that did not meet all legal requirements as an allowable activity.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of Wayne Lakes, Darke County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. In addition, we noted the Village restated its beginning fund balances as of January 1, 2015, and has financial difficulties.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-002 and 2016-006 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001, 2016-003 through 2016-005, and 2016-007 through 2016-008.

Village's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

May 31, 2018

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Unsupported Expenditures - Finding for Recovery and Noncompliance

Ohio Rev. Code Section 149.351(A) states, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, **Ohio Attorney General Opinion 82-006** indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005** Expenditure of Public Funds/ “Proper Public Purpose” states, in part, that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Village's Mayor withdrew \$500 in Village funds in 2015 to be used as prize money for a catfish tournament. While only \$175 could be corroborated as distributed to winners with supporting documentation, the total \$500 was repaid to the Village. This event was approved by Council vote in the minutes but is not deemed to be for a proper public purpose.

The Village's Fiscal Officer withdrew \$100 in Village funds in both 2015 and 2016 to be used as prize money for the annual Halloween party. These parties were approved by Council vote in the minutes but are not deemed to be for a proper public purpose.

In 2016, the Village paid a painting instructor \$400 as part of a fund raising party event in order to support the beach. There is no evidence this event was approved by Council vote and therefore is not deemed to be for a proper public purpose. However, the revenue generated from the event exceeded the related expenditures and no indication was presented that outstanding monies to be repaid to the Village existed.

The Village's Fiscal Officer and Mayor authorized the following payments, which were not deemed to be a proper public purpose or lacked sufficient support:

<u>Description</u>	<u>Check #</u>	<u>Date</u>	<u>Amount</u>
Beach Concession Stand	2314	5/23/2015	\$75
Beach Concession Stand	2743	5/27/2016	150
Golf Cart- 50% of Invoice	2809	7/12/2016	1,750
Golf Cart- Outstanding Balance	3064	1/28/2017	1,750
Golf Cart Raffle Tickets	2812	7/12/2016	62
Golf Cart Permit	2730	5/17/2016	55
Kayak Raffle	Debit Card	5/28/2015	220
Kayak Raffle Tickets	2356	6/17/2015	70
\$1,000 Reward Flyers	2356	6/17/2015	30
Vendor Overpayment	2694	4/19/2016	20
Missing Support for bags of ice	2378	6/26/2015	15
Late Fee on Loan Payment	2282	4/23/2015	13
		Total Amount	\$4,210

**FINDING NUMBER 2016-001
(Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code 9.39; *State ex. rel. Village. of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public Officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against former Village Fiscal Officer Tammy Barger in the amount of \$4,210 and in favor of the Village's General Fund in the amount of \$4,197 and the Debt Service Fund in the amount of \$13.

Tammy Barger's bonding company is Ohio Plan Risk Management, Inc.

The Village should implement procedures to verify that expenditures are paid only for proper public purpose items promoting the Village's operations. Failure to do so could result in additional non-compliant expenditures in future years as well as potential findings for recovery being issued in future audits.

Officials' Response:

Due to all the difficulties associated with the beach and concession stand, it has been decided to keep the beach closed until such time as corrections can be made. This includes hiring more trained people instead of relying on volunteers. Training and written policies and procedures will also need to accompany opening the beach and concession at a future date.

FINDING NUMBER 2016-002

Financial Statement Misstatements – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Village prepared its annual financial statements in accordance with accounting practices the Auditor of State prescribes or permits. The Village's financial statements contained the following misstatements that required adjustment to the financial statements and accounting system:

- In 2015, homestead and rollback reimbursements were incorrectly posted to the General Fund; \$3,195 should have been posted in the Debt Service Fund and \$3,550 should have been posted in the Road & Bridge Levy Fund (Special Revenue Fund).
- In 2015, Village levied permissive taxes were improperly posted as intergovernmental revenue rather than property taxes revenue in the Street Maintenance and Highway Special Revenue Funds in the amounts of \$3,633 and \$250, respectively.
- In 2015, a motor vehicle license tax receipt from Darke County was posted to the General Fund rather than the Street Maintenance and Highway Special Revenue Funds. General Fund intergovernmental revenue was overstated by \$502 and Special Revenue Funds intergovernmental revenue was understated by the same amount (\$464 for Street Maintenance and \$38 for Highway).

**FINDING NUMBER 2016-002
 (Continued)**

- In 2016, Village levied permissive taxes were improperly posted as intergovernmental revenue rather than property taxes revenue in the Street Maintenance and Highway Special Revenue Funds in the amounts of \$3,775 and \$306, respectively.
- In 2016, the Village posted the concession stand bond proceeds of \$11,865 to the Capital Project Fund as another financing source (OFS) - sale of notes rather than an OFS - sale of bonds.

The following misstatements were immaterial and were not adjusted on the financial statements or accounting system:

- In 2015, the Village improperly posted \$975 in miscellaneous revenue as fines, licenses and permits revenue in the General Fund.
- In 2015, the Village did not record the new mower equipment bond proceeds of \$6,298. As a result, capital outlay expenditures and bond proceeds were both understated by \$6,298 in the General Fund.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts, including review of financial reports and the financial statements by the Village Council. The Village should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted correctly.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-003

Appropriations Exceeding Estimated Resources – Noncompliance

Ohio Rev. Code Section 5705.39 provides, in part, that the total appropriation from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the county budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure.

The Village did not file appropriations with the Darke County Auditor during 2016 nor maintain a copy of the appropriations.

At 2015 year-end, the following funds had appropriations in excess of total certified estimated resources:

<u>2015</u>	<u>Final Appropriations</u>	<u>Final Estimated Resources</u>	<u>Variance</u>
General Fund	\$148,400	\$81,629	(\$66,771)
Debt Service Fund	\$ 55,010	\$ 463	(\$54,547)

The Village should implement procedures to verify that total appropriations do not exceed total estimated resources in any of its funds at any time during the fiscal year. Failure to do so could potentially cause the Village to spend more than the amount available for expenditure for any particular fund.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-004

Expenditures Exceeding Appropriations – Noncompliance

Ohio Rev. Code Section 5705.41(B) states, in part, no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. In addition, **Ohio Rev. Code Section 5705.40** provides that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them.

At 2015 year-end, the following funds had expenditures and encumbrances in excess of appropriations at the fund level:

<u>2015 Fund</u>	<u>Final Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Road/Bridge Levy Fund		\$55,840	(\$55,840)
Debt Service Fund	\$55,010	\$60,696	(\$ 5,686)

The Village did not file appropriations with the Darke County Auditor during 2016 nor maintain a copy of the appropriations. As a result, none of the appropriations for 2016 were considered to be legally effective, which led to expenditures exceeding appropriations in all funds for 2016. The budgetary note disclosures report zero appropriations for 2016.

The Village should develop and implement procedures to properly monitor its budgetary expectations related to appropriations and actual expenditures/encumbrances. Doing so would enable the Village to comply with budgetary requirements while limiting the risk of spending more than is appropriated.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-005

Negative Fund Balance – Noncompliance

Ohio Rev. Code Section 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit cash balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance.

After audit adjustments, the Village's Debt Service fund carried a deficit cash balance of (\$17,601) at December 31, 2015 and (\$33,164) at December 31, 2016.

After audit adjustments, the Village's General Fund carried a deficit cash balance of (\$7,223) at December 31, 2015 and (\$5,416) at December 31, 2016.

The Village should monitor fund balances and advance or transfer revenue from the General Fund when any fund is experiencing a cash flow problem which will result in a deficit fund balance. The Village should refer to Auditor of State Bulletin 97-003 for guidance on the approval process and accounting treatment of advances.

Officials' Response:

A policies and procedures resolution has been written up but not yet adopted by council for the proper purchasing of goods and services for the Village. Also the handling of all money spent, (PO in place, approved by council, purchased with either a billed vendor or other approved means of paying). We also have followed proper procedures for blanket and super blanket PO to streamline our recurring bills, including auto-pay for certain bills.

FINDING NUMBER 2016-006

Budgetary Information in the Accounting System – Material Weakness

The Village annually received a Certificate of the Total Amount from all Sources Available for Expenditures and Balances from the Darke County Budget Commission. The amount of estimated receipts from the certificate for each fund should be entered into the accounting system, which will enable the Village to monitor budgetary compliance with the approved budgeted amounts throughout the year.

The amounts entered into the accounting system as estimated receipts for 2016 and 2015 were not monitored and updated by the Fiscal Officer and therefore did not agree to the Certificate as received from the Darke County Budget Commission as follows:

2016	Certificate Budgeted Receipts	Accounting System Budgeted Receipts	Variance
General Fund	\$136,930	\$160,930	\$(24,000)
Special Revenue Funds	\$55,587	\$46,746	\$8,841
Debt Service Fund	\$114,906	\$17,000	\$97,906
Capital Projects Fund	\$13,180	\$0	\$13,180
2015	Certificate Budgeted Receipts	Accounting System Budgeted Receipts	Variance
General Fund	\$78,420	\$149,600	\$(71,180)
Debt Service Fund	\$62,000	\$58,000	\$4,000
Capital Projects Fund	\$13,180	\$0	\$13,180

The amounts entered as estimated receipts in the accounting system should agree to the Official Certified Receipts. Inaccuracy of the data entered into the accounting system limits the reliability of controls that the budgetary reports provide to the Village management. Procedures should be implemented to verify that information entered into the accounting system agrees to legislatively approved amounts.

Officials’ Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-007

Debt Service Fund Transfer – Noncompliance

Ordinance No. 99-06 provides for the issuance of \$335,000 of bonds by the Village of Wayne Lakes, Ohio for the purpose of paying costs and expenses of a final judgment. Section 6 of the ordinance states, in part, “that during the period the bonds are to run, there shall be and is hereby levied on all the taxable property in the Village, in addition to all other taxes, but within applicable limitations, a direct tax annually in an amount sufficient to pay the principal of and interest on the Bonds when and as the same fall due. Said tax shall be and is hereby ordered computed, certified, levied and extended upon the tax duplicate and collected by the same officers, in the same manner, and at the same time that taxes for general purposes for each of said years are certified, extended and collected. Said tax shall be placed before and in preference to all other items and for the full amount thereof. The funds derived from said tax levies hereby required shall be placed in a separate and distinct fund.”

The Village established a Bond Retirement Debt Service Fund, as required, where the Ordinance No. 99-06 tax levies were placed. In 2016; however, the Village transferred otherwise sourced funds into this Bond Retirement Debt Service Fund. This transfer was made from the Road & Bridge Levy Special Revenue Fund and was used to pay the Village general obligation bonds.

FINDING NUMBER 2016-007
(Continued)

Ohio Rev. Code, Sections 5705.14-.16, provide no transfer can be made from one fund of a subdivision to any other fund, except as defined in the above mentioned Ohio Revised Code Sections. Except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for general fund transfers though a resolution passed by a simple majority is required. A simple majority constitutes a quorum of greater than 50% of the members.)

During 2016, the \$15,000 transfer from the Road & Bridge Levy Special Revenue Fund to the Debt Service Fund in order to pay the annual general obligation bonds payment did not meet the requirements of a legal transfer under the above mentioned Ohio Revised Code Sections. Adjustments were posted to the accounting system and accompanying financial statements to reverse the improper transfer. Failure to properly transfer monies between funds could result in misappropriation of funds.

The Village's debt service fund property taxes and intergovernmental revenue were not sufficient to pay the annual general obligation bond principal and interest payments during the audit period. The Bond Retirement Debt Service fund had deficit fund cash balances for the years ended December 31, 2015 and 2016 as mentioned in Finding 2016-005.

The Village should implement procedures to ensure that sources (property taxes) to pay the general obligation debt are maintained in a separate and distinct fund as required by Ordinance. Failure to do so could result in unauthorized or unallowable revenue sources being utilized to pay for debt service and/or Village property tax amounts for debt service being utilized to pay for non-general obligation debt. The Village should also implement procedures to verify all monies transferred between funds are only done so for the allowable purposes as defined in the Ohio Revised Code.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-008

Illegal Conduct of Raffle - Noncompliance

Ohio Rev. Code Section 2915.092 states, in part, that a charitable organization, a public school, a chartered nonpublic school, a community school, or a veteran's organization, fraternal organization, or sporting organization that is exempt from federal income taxation under subsection 501(a) and is described in subsection 501(c)(3), 501(c)(4), 501(c)(7), 501(c)(8), 501(c)(10), or 501(c)(19) of the Internal Revenue Code may conduct a raffle to raise money for the organization or school and does not need a license to conduct bingo in order to conduct a raffle drawing that is not for profit. If a charitable organization that is described above, but that is not also described in subsection 501(c)(3) of the Internal Revenue Code, conducts a raffle, the charitable organization shall distribute at least fifty per cent of the net profit from the raffle to a charitable purpose described in division (V) of section 2915.01 of the Revised Code or to a department or agency of the federal government, the state, or any political subdivision. Except as provided in this section, no person shall conduct a raffle drawing that is for profit or a raffle drawing that is not for profit. Whoever violates this section is guilty of illegal conduct of a raffle. Except as otherwise provided in this division, illegal conduct of a raffle is a misdemeanor of the first degree. If the offender previously has been convicted of a violation of this section, illegal conduct of a raffle is a felony of the fifth degree.

**FINDING NUMBER 2016-008
(Continued)**

The Village held raffles in 2015 and 2016 for a kayak and a golf cart, respectively, in order to raise money for the Village.

However, there was no evidence to support these events held and sponsored by the Village met the above requirements.

The Village should implement procedures and policies to eliminate sponsored raffles and fundraisers and to procure financing for projects and operations from other legitimate means. Failure to do so could result in Findings for Recovery during future audits.

Officials' Response:

As of January 2018 the Village will no longer allow or take part in any raffle/drawing or fund-raiser sponsored by the Village government. As of April and May of this year the residents are in the process of establishing a Booster Club and a 5K Run non-profit for the Village Fundraisers.

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**Village of Wayne Lakes
100 Community Drive
Greenville, Ohio 45331**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Rev. Code §5705.10(I) - Negative Fund Balances	Not Corrected – repeated as Finding 2016-005	Capital Projects fund balance is no longer negative.
2014-002	Ohio Rev. Code §5705.41 (A) and (B) – Expenditures exceeding Appropriations	Not Corrected – repeated as Finding 2016-004	Expenditures no longer exceed appropriations in the General Fund.
2014-003	GASB Statement No. 54 – Equity Classification and Applying GASB 54	Not Corrected – repeated in Management Letter	
2014-004	Misclassification of Revenue and Disbursement Transactions	Not Corrected – repeated as Finding 2016-002	
2014-005	Improper payment of Village loans and other general obligation bonds from the Bond Retirement Debt Service fund established by Ordinance 99-06.	Not Corrected – repeated as Finding 2016-007	

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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
JUNE 28, 2018