



**Auditor of State  
Betty Montgomery**



**VILLAGE OF WAKEMAN  
HURON COUNTY**

TABLE OF CONTENTS

| TITLE  | PAGE |
|--|------|
| Independent Accountants' Report.....   | 1    |
| Combined Statement of Cash Receipts, Cash Disbursements, and<br>Changes in Fund Cash Balances - All Governmental Fund Types -<br>For the Year Ended December 31, 2003..... | 3    |
| Combined Statement of Cash Receipts, Cash Disbursements, and<br>Changes in Fund Cash Balances - Proprietary Fund Type -<br>For the Year Ended December 31, 2003.....       | 4    |
| Combined Statement of Cash Receipts, Cash Disbursements, and<br>Changes in Fund Cash Balances - All Governmental Fund Types -<br>For the Year Ended December 31, 2002..... | 5    |
| Combined Statement of Cash Receipts, Cash Disbursements, and<br>Changes in Fund Cash Balances - Proprietary Fund Type -<br>For the Year Ended December 31, 2002.....       | 6    |
| Notes to the Financial Statements.....   | 7    |
| Independent Accountants' Report on Compliance and on Internal<br>Control Required by <i>Government Auditing Standards</i> .....  | 15   |
| Schedule of Findings.....  | 17   |
| Schedule of Prior Audit Findings .....   | 20   |

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

## **INDEPENDENT ACCOUNTANTS' REPORT**

Village of Wakeman  
Huron County  
59 Hyde Street, P.O. Box 107  
Wakeman, Ohio 44889-0107

To the Village Council:

We have audited the accompanying financial statements of the Village of Wakeman, Huron County, (the Village) as of and for the years ended December 31, 2003 and 2002. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the audit committee, management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 9, 2004

**VILLAGE OF WAKEMAN  
HURON COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003

|  | Governmental Fund Types |                    | Totals<br>(Memorandum<br>Only) |
|--|-------------------------|--------------------|--------------------------------|
|  | General                 | Special<br>Revenue |                                |
| <b>Cash Receipts</b>   |                         |                    |                                |
| Property Tax and Other Local Taxes   | \$ 29,593               | \$ 18,382          | \$ 47,975                      |
| Municipal Income Tax   | 115,713                 | -                  | 115,713                        |
| Intergovernmental Receipts   | 134,171                 | 67,621             | 201,792                        |
| Charges for Services   | 62                      | -                  | 62                             |
| Fines, Licenses, and Permits   | 50,072                  | -                  | 50,072                         |
| Earnings on Investments  | 2,768                   | 529                | 3,297                          |
| Miscellaneous  | 6,955                   | -                  | 6,955                          |
| <b>Total Cash Receipts</b>   | <b>339,334</b>          | <b>86,532</b>      | <b>425,866</b>                 |
| <b>Cash Disbursements</b>  |                         |                    |                                |
| Current:   |                         |                    |                                |
| Security of Persons and Property   | 152,124                 | 21,103             | 173,227                        |
| Public Health Services   | 1,159                   | -                  | 1,159                          |
| Leisure Time Activities  | 16,474                  | -                  | 16,474                         |
| Community Environment  | 3,492                   | -                  | 3,492                          |
| Basic Utility Services   | 3,099                   | -                  | 3,099                          |
| Transportation   |                         | 47,644             | 47,644                         |
| General Government   | 157,959                 | 288                | 158,247                        |
| Debt Service:  |                         |                    |                                |
| Principal Payments   | 40,604                  | -                  | 40,604                         |
| Interest And Other Fiscal Charges  | 3,627                   | -                  | 3,627                          |
| Capital Outlay   | 43,103                  | 31,023             | 74,126                         |
| <b>Total Cash Disbursements</b>  | <b>421,641</b>          | <b>100,058</b>     | <b>521,699</b>                 |
| <b>Total Disbursements Over Receipts</b>   | <b>(82,307)</b>         | <b>(13,526)</b>    | <b>(95,833)</b>                |
| <b>Other Financing Disbursements</b>   |                         |                    |                                |
| Transfers-Out  | (50,000)                | -                  | (50,000)                       |
| <b>Excess of Cash Disbursements and Other<br/>Financing Disbursements Over Cash Receipts</b> | <b>(132,307)</b>        | <b>(13,526)</b>    | <b>(145,833)</b>               |
| Fund Cash Balances, January 1  | 200,800                 | 34,526             | 235,326                        |
| <b>Fund Cash Balances, December 31</b>   | <b>\$ 68,493</b>        | <b>\$ 21,000</b>   | <b>\$ 89,493</b>               |
| Reserves for Encumbrances, December 31   | \$ -                    | \$ -               | \$ -                           |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF WAKEMAN  
HURON COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003

|  | Enterprise        |
|--|-------------------|
| <b>Operating Cash Receipts</b>                                   |                   |
| Charges for Services   | \$ 379,610        |
| Miscellaneous  | 599               |
|  | 380,209           |
| Total Operating Cash Receipts                                    |                   |
| <b>Operating Cash Disbursements</b>                              |                   |
| Personal Services  | 40,188            |
| Contractual Services   | 145,135           |
| Supplies and Materials   | 6,997             |
| Capital Outlay   | 379,953           |
|  | 572,273           |
| Total Operating Cash Disbursements                               |                   |
| Operating Loss   | (192,064)         |
| <b>Non-Operating Cash Receipts</b>                               |                   |
| OWDA Loan  | 331,923           |
| Other Non-Operating Receipts                                     | 1,300             |
|  | 333,223           |
| Total Non-Operating Cash Receipts                                |                   |
| <b>Non-Operating Cash Disbursements</b>                          |                   |
| Debt Service   | 167,647           |
| Other Non-Operating Cash Disbursements                           | 975               |
|  | 168,622           |
| Total Non-Operating Cash Disbursements                           |                   |
| Excess of Disbursements Over Receipts Before Interfund Transfers | (27,463)          |
| Transfers-In   | 50,000            |
| Net Receipts Over Disbursements                                  | 22,537            |
| Fund Cash Balances, January 1                                    | 152,196           |
| <b>Fund Cash Balances, December 31</b>                           | <b>\$ 174,733</b> |
| Reserve for Encumbrances, December 31                            | \$ -              |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF WAKEMAN  
HURON COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002

|   | <u>Governmental Fund Types</u> |                            | Totals<br>(Memorandum<br>Only) |
|---|--------------------------------|----------------------------|--------------------------------|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> |                                |
| <b>Cash Receipts</b>  |                                |                            |                                |
| Property Tax and Other Local Taxes                          | \$ 28,206                      | \$ 19,782                  | \$ 47,988                      |
| Municipal Income Tax  | 115,079                        | -                          | 115,079                        |
| Intergovernmental Receipts                                  | 117,789                        | 47,530                     | 165,319                        |
| Charges for Services  | 30                             | -                          | 30                             |
| Fines, Licenses, and Permits                                | 69,088                         | -                          | 69,088                         |
| Earnings on Investments                                     | -                              | 304                        | 304                            |
| Miscellaneous   | 16,449                         | 223                        | 16,672                         |
| <b>Total Cash Receipts</b>                                  | <u>346,641</u>                 | <u>67,839</u>              | <u>414,480</u>                 |
| <b>Cash Disbursements</b>                                   |                                |                            |                                |
| Current:  |                                |                            |                                |
| Security of Persons and Property                            | 144,947                        | 59,269                     | 204,216                        |
| Public Health Services                                      | 1,174                          | -                          | 1,174                          |
| Leisure Time Activities                                     | 3,144                          | -                          | 3,144                          |
| Community Environment                                       | 4,011                          | -                          | 4,011                          |
| Basic Utility Services                                      | 659                            | 9,402                      | 10,061                         |
| Transportation  | -                              | 330                        | 330                            |
| General Government  | 104,423                        | 2,217                      | 106,640                        |
| Debt Service:   |                                |                            |                                |
| Principal Payments  | 42,344                         | -                          | 42,344                         |
| Interest Payments   | -                              | -                          | -                              |
| Capital Outlay  | 10,771                         | -                          | 10,771                         |
| <b>Total Cash Disbursements</b>                             | <u>311,473</u>                 | <u>71,218</u>              | <u>382,691</u>                 |
| Excess of Cash Receipts Over/<br>(Under) Cash Disbursements | 35,168                         | (3,379)                    | 31,789                         |
| Fund Cash Balances, January 1                               | <u>165,632</u>                 | <u>37,905</u>              | <u>203,537</u>                 |
| <b>Fund Cash Balances, December 31</b>                      | <u><b>\$ 200,800</b></u>       | <u><b>\$ 34,526</b></u>    | <u><b>\$ 235,326</b></u>       |
| Reserves for Encumbrances, December 31                      | <u><u>\$ 3,106</u></u>         | <u><u>\$ 55</u></u>        | <u><u>\$ 3,161</u></u>         |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF WAKEMAN  
HURON COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002

|   | Enterprise        |
|---|-------------------|
| <b>Operating Cash Receipts</b>          |                   |
| Charges for Services                    | \$ 372,181        |
| Permits                                 | 2,600             |
| Miscellaneous                           | 7,488             |
|   | 382,269           |
| Total Operating Cash Receipts           | 382,269           |
| <b>Operating Cash Disbursements</b>     |                   |
| Personal Services                       | 30,924            |
| Contractual Services                    | 120,371           |
| Supplies and Materials                  | 8,289             |
| Other                                   | 4,725             |
|   | 164,309           |
| Total Operating Cash Disbursements      | 164,309           |
| Operating Income                        | 217,960           |
| <b>Non-Operating Cash Receipts</b>      |                   |
| Other Non-Operating Receipts            | 1,500             |
|   | 1,500             |
| Total Non-Operating Cash Receipts       | 1,500             |
| <b>Non-Operating Cash Disbursements</b> |                   |
| Debt Service                            | 168,400           |
| Other Non-Operating Cash Disbursements  | 929               |
|   | 169,329           |
| Total Non-Operating Cash Disbursements  | 169,329           |
| Net Receipts Over Disbursements         | 50,131            |
| Fund Cash Balances, January 1           | 102,066           |
| <b>Fund Cash Balances, December 31</b>  | <b>\$ 152,197</b> |
| Reserve for Encumbrances, December 31   | \$ 3,937          |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF WAKEMAN  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Wakeman, Huron County (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. The Village provides water and sewer utilities and police services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF WAKEMAN  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources 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.

Police Fund - This fund receives property tax monies to fund the operations of the Village Police Department.

**3. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF WAKEMAN  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**E. Property, Plant, and Equipment**

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

**F. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of demand deposits at December 31, 2003 was \$264,226 and at December 31, 2002 was \$387,523.

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

**VILLAGE OF WAKEMAN  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

| Fund Type       | Budgeted<br>Receipts | Actual<br>Receipts  | Variance          |
|-----------------|----------------------|---------------------|-------------------|
| General         | \$ 343,803           | \$ 339,334          | \$ (4,469)        |
| Special Revenue | 124,139              | 86,532              | (37,607)          |
| Enterprise      | 445,060              | 763,432             | 318,372           |
| Total           | <u>\$ 913,002</u>    | <u>\$ 1,189,298</u> | <u>\$ 276,296</u> |

2003 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type       | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance            |
|-----------------|----------------------------|---------------------------|---------------------|
| General         | \$ 465,578                 | \$ 471,641                | \$ (6,063)          |
| Special Revenue | 102,710                    | 100,058                   | 2,652               |
| Enterprise      | 442,884                    | 740,895                   | (298,011)           |
| Total           | <u>\$ 1,011,172</u>        | <u>\$ 1,312,594</u>       | <u>\$ (301,422)</u> |

2002 Budgeted vs. Actual Receipts

| Fund Type       | Budgeted<br>Receipts | Actual<br>Receipts | Variance         |
|-----------------|----------------------|--------------------|------------------|
| General         | \$ 268,583           | \$ 346,641         | \$ 78,058        |
| Special Revenue | 78,715               | 67,839             | (10,876)         |
| Enterprise      | 357,366              | 383,769            | 26,403           |
| Total           | <u>\$ 704,664</u>    | <u>\$ 798,249</u>  | <u>\$ 93,585</u> |

**VILLAGE OF WAKEMAN  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type       | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance         |
|-----------------|----------------------------|---------------------------|------------------|
| General         | \$ 337,318                 | \$ 314,579                | \$ 22,739        |
| Special Revenue | 109,985                    | 71,273                    | 38,712           |
| Enterprise      | 351,955                    | 337,575                   | 14,380           |
| Total           | <u>\$ 799,258</u>          | <u>\$ 723,427</u>         | <u>\$ 75,831</u> |

The large variance in 2003 for budgeted receipts and expenditures was due to the fact the Village participated in a new Ohio Water Development Authority's (OWDA) Cooperative Agreement Grant Loan Project during fiscal year 2003. The project involved improvements to a waste water treatment plant improvement project. OWDA paid the contractors directly for the costs of the project. Although the Village did not record these on-behalf-of transactions during 2003, they have been adjusted to the 2003 financial statements to reflect these costs paid by OWDA, on its behalf, as OWDA loan proceeds and capital outlay expenditures in the Enterprise Funds. The Village did not include these on-behalf-of revenues in its estimated receipts presented to the County Budget Commission nor did the Council appropriate for these expenditures in 2003.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. 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 payments, 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.

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.

**VILLAGE OF WAKEMAN  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

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

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

|                                       | <u>Loan #</u> | <u>Principal</u>    | <u>Interest Rate</u> |
|---------------------------------------|---------------|---------------------|----------------------|
| General Obligation Note               |               | \$ 19,166           | 4.65%                |
| Ohio Water Development Authority Loan | 1956          | 1,036,756           | 7.14%                |
| Ohio Water Development Authority Loan | 2978          | 426,003             | 6.72%                |
| Ohio Water Development Authority Loan | 3094          | 22,445              | 6.04%                |
| Ohio Water Development Authority Loan | 3773          | 321,023             | 4.84%                |
| Total                                 |               | <u>\$ 1,825,393</u> |                      |

The General Obligation Note relates to the purchase of the Village Hall. The note will be repaid in semiannual installments through the year 2004. The note is collateralized by the Village's taxing authority.

The Ohio Water Development Authority (OWDA) loan # 1956 relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments through the year 2018. OWDA loans #2978 #3094 relate to water line projects. The loans will be repaid in semiannual installments through the years 2023 and 2006, respectively. OWDA loan # 3778 relates to a waste

**VILLAGE OF WAKEMAN  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

water treatment plant improvement project that was completed during the year 2003. The loan will be repaid over 30 years in semiannual installments starting in the year 2004 and running through 2034. The OWDA loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover the OWDA debt service requirements.

For each of the OWDA loans, the Village was in violation of an OWDA debt covenant that required that an annual report of the operation and income of the utility and an annual report of the accounts and operation of the utility be filed with the OWDA. The Village did not prepare and file the required reports for 2002. Failure to comply with this provision could result in an OWDA determination that an event of default has occurred as defined under the agreements, and the Village would have thirty days to file the required reports upon notification by the OWDA of such a determination. Failure to comply could result in the loan principal becoming immediately due and payable.

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

| <u>Year ending December 31:</u> | <u>OWDA Loans</u>   | <u>General<br/>Obligation<br/>Notes</u> |
|---------------------------------|---------------------|---|
| 2004                            | \$ 178,598          | \$ 19,612                               |
| 2005                            | 188,795             | -                                       |
| 2006                            | 183,811             | -                                       |
| 2007                            | 178,828             | -                                       |
| 2008                            | 178,828             | -                                       |
| 2009 - 2013                     | 894,137             | -                                       |
| 2014 - 2018                     | 894,137             | -                                       |
| 2019 - 2023                     | 167,248             | -                                       |
| 2024 - 2028                     | 101,977             | -                                       |
| 2029 - 2034                     | 112,174             | -                                       |
| Total                           | <u>\$ 3,078,533</u> | <u>\$ 19,612</u>                        |

**VILLAGE OF WAKEMAN  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**7. RETIREMENT SYSTEMS**

The Village's full-time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). All other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement 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 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**8. RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

The Plan uses conventional insurance coverages and reinsures these coverages 100 percent, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Wakeman  
Huron County  
59 Hyde Street, P.O. Box 107  
Wakeman, Ohio 44889-0107

To the Village Council:

We have audited the accompanying financial statements of the Village of Wakeman, Huron County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 9, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated June 9, 2004

### **Internal Control over Financial Reporting**

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 9, 2004.

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



**Betty Montgomery**  
Auditor of State

June 9, 2004

**VILLAGE OF WAKEMAN  
HURON COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Water Development Authority's (OWDA) Cooperative Agreement for Construction, Maintenance and Operation of Title II Project section 4.3(b) requires the local government agency to furnish annual reports of the operation and income of utility and also an annual report of the accounts and operations of the utility. Failure to file the required reports could result in OWDA declaring the act an event of default and subject to fines and penalties.

The Village has a number of outstanding OWDA loans requiring the above noted annual reports to be filed. The annual report for 2002 was not submitted to OWDA regarding the operation, income, or accounts of the Village's water and sewer operations. Failure to comply with this provision could result in an OWDA determination that an event of default has occurred as defined under the agreements, and the Village would have thirty days to file the required reports upon notification by the OWDA of such a determination. Failure to comply could result in the loan principal becoming immediately due and payable.

We recommend that the required reports be submitted to OWDA.

**FINDING NUMBER 2003-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any 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 in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement 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 §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**FINDING NUMBER 2003-002**  
**(Continued)**

- a. 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 he 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 \$1,000 (\$3,000 after April 7, 2003) 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.
- b. Blanket Certificate** – Fiscal officers may prepare “blanket certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority after September 26, 2003) against any specific line item account over a period not exceeding three month or running beyond 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 particular line item appropriation.
- c. Super Blanket Certificate** – The taxing authority 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 (or quarterly spending plan for counties). More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not properly certify twenty-five (25%) of funds prior to purchase commitment for expenditures tested and there was no evidence the Village followed the aforementioned exceptions for these transactions. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

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 taxing authority’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the taxing authority. When prior certification is not possible, “then and now” certification should be used.

**FINDING NUMBER 2003-002**  
**(Continued)**

We recommend the Fiscal Officer certify purchases to which § 5704.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs the commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2003-003**

**Noncompliance Citation**

Auditor of State Bulletin 2002-004 provides accounting guidance for cash basis local governments' participation in on-behalf-of grants or improvement projects. The bulletin includes budgetary accounting guidance for entities that are subject to Ohio Revised Code Chapter 5705. Once the grant is awarded or the application is approved, the fiscal officer must obtain an official certificate of estimated resources or an amended certificate of estimated resources for all or part of the grant or project, based on the expected cash disbursements to be made on the local government's behalf in the current fiscal year. The fiscal officer shall record the appropriation in accordance with the terms and conditions of the grant or project agreement. In addition, prior to recording the appropriations, Ohio Revised Code § 5705.40 requires the legislative authority to pass an appropriation measure for the grant expenditures.

The Village participated in an Ohio Water Development Authority's (OWDA) Cooperative Agreement Grant Loan Project during fiscal year 2003. The project involved improvements to a waste water treatment plant improvement project in which OWDA paid the contractors directly for the costs of the project. Although the Fiscal Officer did not book these on-behalf-of transactions during 2003, she has adjusted the 2003 annual report to reflect these costs paid by OWDA, on the Village's behalf, as OWDA loan proceeds and capital outlay expenditures in the Enterprise Funds. The Village did not include these on-behalf-of revenues in its estimated receipts presented to the budget commission nor did the Council appropriate for these expenditures.

The failure to record and budget for projects such as those described above leads to misstated financial statements and does not present a true picture of the activity of the Village.

**VILLAGE OF WAKEMAN  
HURON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|---|------------------|--|
| 2001-30539-001 | Ohio Revised Code § 5705.41(B)<br>The Village failed to maintain expenditures within appropriations   | No               | Partially corrected. Reported in the management letter.  |
| 2001-30539-002 | Ohio Revised Code § 5705.41(D)<br>The Village failed to certify funds for a substantial percentage of disbursements   | No               | Not corrected. Reissued in this report as finding number 2003-002  |
| 2001-30539-003 | Ohio Revised Code §§ 4115.04 and 4115.05<br>The Village did not obtain prevailing wage determination for projects contracted during fiscal year 2001.   | Yes              |  |
| 2001-30539-004 | Ohio Water Development Authority (OWDA) Cooperative Agreement for Construction, Maintenance and Operation of Title II Project, Section 4.3(b):<br>No annual report submitted to OWDA regarding the operation, income, or accounts of the water and sewer operation. | No               | Not corrected. Reissued in this report as finding number 2003-001  |
| 2001-30539-005 | Ohio Water Development Authority (OWDA) Cooperative Agreement for Construction, Maintenance and Operation of Title II Project, Sections 5.4 and 5.6: OWDA was not named as an additional insured for the sewer treatment plant.                                     | Yes              |  |



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**VILLAGE OF WAKEMAN**

**HURON 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  
JULY 1, 2004**