



Mary Taylor, CPA
Auditor of State

VILLAGE OF WAYNESVILLE
WARREN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2008.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2007.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings	21
Schedule of Prior Audit Findings	33

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Village of Waynesville
Warren County
1400 Lytle Road
Waynesville, Ohio 45068

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 5, 2010 except footnote 10, for which the date is May 6, 2010

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Waynesville
Warren County
1400 Lytle Road
Waynesville, Ohio 45068

To the Village Council:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Auditor of State served during the year ended December 31, 2008 as the Village's financial supervisor under Ohio Revised Code § 118.05 (G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Revised Code §118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

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

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

As discussed in Note 10 to the financial statements, the Village has significant fund balance deficits in certain funds. Note 10 describe Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Village was placed in fiscal emergency by the Auditor of State on April 15, 2008.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

April 5, 2010 except footnote 10, for which the date is May 6, 2010

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Local Taxes	\$100,658	\$338,283	\$0	\$438,941
Intergovernmental	146,826	179,525	0	326,351
Special Assessments	0	0	2,298	2,298
Charges for Services	28,983	1,000	0	29,983
Fines, Licenses and Permits	65,248	10,547	0	75,795
Earnings on Investments	31,558	0	0	31,558
Miscellaneous	37,118	10,695	0	47,812
	<u>410,390</u>	<u>540,050</u>	<u>2,298</u>	<u>952,738</u>
Total Cash Receipts				
	<u>410,390</u>	<u>540,050</u>	<u>2,298</u>	<u>952,738</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	83,638	230,965	0	314,602
Transportation	294	119,260	0	119,554
General Government	232,580	37,572	0	270,151
Debt Service:				
Redemption of Principal	363,038	15,000	2,230	380,268
Interest and Fiscal Charges	35,280	1,050	68	36,398
Capital Outlay	2,500	4,113	0	6,613
	<u>717,331</u>	<u>407,959</u>	<u>2,298</u>	<u>1,127,588</u>
Total Cash Disbursements				
	<u>717,331</u>	<u>407,959</u>	<u>2,298</u>	<u>1,127,588</u>
Total Receipts Over/(Under) Disbursements	<u>(306,941)</u>	<u>132,091</u>	<u>0</u>	<u>(174,849)</u>
Other Financing Receipts :				
Sale of Notes	352,000	0	0	352,000
	<u>352,000</u>	<u>0</u>	<u>0</u>	<u>352,000</u>
Total Other Financing Receipts / (Disbursements)				
	<u>352,000</u>	<u>0</u>	<u>0</u>	<u>352,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	45,059	132,091	0	177,151
Fund Cash Balances, January 1	<u>217,489</u>	<u>(259,247)</u>	<u>(1,535)</u>	<u>(43,293)</u>
Fund Cash Balances, December 31	<u>\$262,548</u>	<u>(\$127,156)</u>	<u>(\$1,535)</u>	<u>\$133,858</u>
Reserve for Encumbrances, December 31	<u>\$9,837</u>	<u>\$3,354</u>	<u>\$0</u>	<u>\$13,191</u>

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

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,703,919	\$0	\$1,703,919
Fines, Licenses and Permits	\$0	\$0	0
Miscellaneous	3,187	0	3,187
Total Operating Cash Receipts	<u>1,707,106</u>	<u>0</u>	<u>1,707,106</u>
Operating Cash Disbursements:			
Personal Services	190,734	0	190,734
Employee Fringe Benefits	101,883	0	101,883
Contractual Services	451,474	0	451,474
Supplies and Materials	55,739	0	55,739
Other	818	0	818
Total Operating Cash Disbursements	<u>800,648</u>	<u>0</u>	<u>800,648</u>
Operating Income/(Loss)	<u>906,459</u>	<u>0</u>	<u>906,459</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	<u>0</u>	<u>76,632</u>	<u>76,632</u>
Total Non-Operating Cash Receipts	<u>0</u>	<u>76,632</u>	<u>76,632</u>
Non-Operating Cash Disbursements:			
Capital Outlay	423,491	0	423,491
Redemption of Principal	232,386	0	232,386
Interest and Other Fiscal Charges	138,494	0	138,494
Other Non-Operating Cash Disbursements	<u>0</u>	<u>76,502</u>	<u>76,502</u>
Total Non-Operating Cash Disbursements	<u>794,371</u>	<u>76,502</u>	<u>870,873</u>
Net Receipts Over/(Under) Disbursements	112,088	130	112,218
Fund Cash Balances, January 1	<u>1,271,325</u>	<u>5,318</u>	<u>1,276,643</u>
Fund Cash Balances, December 31	<u>\$1,383,413</u>	<u>\$5,448</u>	<u>\$1,388,860</u>
Reserve for Encumbrances, December 31	<u>\$166,642</u>	<u>\$0</u>	<u>\$166,642</u>

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

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Local Taxes	\$254,534	\$483,662	\$0	\$738,196
Special Assessments	0	0	(218)	(218)
Charges for Services	15,665	7,000	0	22,665
Fines, Licenses and Permits	95,569	720	0	96,289
Earnings on Investments	41,564	0	0	41,564
Miscellaneous	27,601	32,576	0	60,177
Total Cash Receipts	<u>434,933</u>	<u>523,959</u>	<u>(218)</u>	<u>958,674</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	0	285,821	0	285,821
Leisure Time Activities	0	488	0	488
Transportation	0	18,352	0	18,352
General Government	185,122	184,376	0	369,498
Debt Service:				
Redemption of Principal	374,000	15,000	2,140	391,140
Interest and Fiscal Charges	73,316	525	264	74,105
Total Cash Disbursements	<u>632,437</u>	<u>504,562</u>	<u>2,404</u>	<u>1,139,404</u>
Total Receipts Over/(Under) Disbursements	<u>(197,504)</u>	<u>19,397</u>	<u>(2,622)</u>	<u>(180,730)</u>
Other Financing Receipts :				
Proceeds from Sale of Public Debt:				
Sale of Notes	360,000	0	0	360,000
Total Other Financing Receipts / (Disbursements)	<u>360,000</u>	<u>0</u>	<u>0</u>	<u>360,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	162,496	19,397	(2,622)	179,270
Fund Cash Balances, January 1	<u>54,993</u>	<u>(278,644)</u>	<u>1,088</u>	<u>(222,563)</u>
Fund Cash Balances, December 31	<u>\$217,489</u>	<u>(\$259,247)</u>	<u>(\$1,535)</u>	<u>(\$43,293)</u>
Reserve for Encumbrances, December 31	<u>\$19,243</u>	<u>\$16,422</u>	<u>\$0</u>	<u>\$35,666</u>

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

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,771,664	\$0	\$1,771,664
Intergovernmental	\$0	\$0	\$0
Fines, Licenses and Permits	\$0	\$0	0
Miscellaneous	16,448	0	16,448
	<u>1,788,111</u>	<u>0</u>	<u>1,788,111</u>
Total Operating Cash Receipts			
Operating Cash Disbursements:			
Purchased Services	131,304	0	131,304
Personal Services	244,634	0	244,634
Employee Fringe Benefits	102,177	0	102,177
Contractual Services	269,166	0	269,166
Supplies and Materials	68,679	0	68,679
Claims	175	0	175
Other	1,045	0	1,045
	<u>817,180</u>	<u>0</u>	<u>817,180</u>
Total Operating Cash Disbursements			
Operating Income/(Loss)	<u>970,931</u>	<u>0</u>	<u>970,931</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	<u>0</u>	<u>86,498</u>	<u>86,498</u>
Total Non-Operating Cash Receipts	<u>0</u>	<u>86,498</u>	<u>86,498</u>
Non-Operating Cash Disbursements:			
Capital Outlay	95,969	0	95,969
Redemption of Principal	123,200	0	123,200
Interest and Other Fiscal Charges	96,634	0	96,634
Other Non-Operating Cash Disbursements	<u>0</u>	<u>96,865</u>	<u>96,865</u>
Total Non-Operating Cash Disbursements	<u>315,803</u>	<u>96,865</u>	<u>412,668</u>
Net Receipts Over/(Under) Disbursements	655,128	(10,368)	644,761
Fund Cash Balances, January 1	<u>616,197</u>	<u>15,685</u>	<u>631,882</u>
Fund Cash Balances, December 31	<u>\$1,271,325</u>	<u>\$5,318</u>	<u>\$1,276,643</u>
Reserve for Encumbrances, December 31	<u>\$180,114</u>	<u>\$0</u>	<u>\$180,114</u>

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

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Waynesville, Warren County, Ohio (the Village), as a body corporate and politic. A publicly-elected seven-member Council directs the Village. The Village provides water and sewer utilities, park operations, street maintenance and repair and police services.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

Certificates of deposit repurchase agreements, money market accounts and U.S. Treasury Notes are valued at current market value. The investment in STAR Ohio is recorded at share values reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

Police Law Enforcement Fund – This fund receives special levy tax money for police protection.

3. Debt Service Funds

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

Sidewalk Assessment Fund – This fund receives monies and makes payments related to the sidewalk assessment notes.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund account for the Villages Mayor's Court Activity.

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual 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 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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

	2008	2007
Demand deposits	<u>\$1,439,325</u>	<u>\$1,120,511</u>
Total deposits	<u>1,439,325</u>	<u>1,120,511</u>
Merrill Lynch - Government Fund	12,774	12,478
STAR Ohio	2,519	2,456
Morgan Stanley-Government Securities Trust	68,652	67,477
Total investments	<u>83,945</u>	<u>82,411</u>
Total deposits and investments	<u><u>\$1,523,270</u></u>	<u><u>\$1,202,922</u></u>

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

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

3. Budgetary Activity

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

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$795,074	\$762,390	(\$32,684)
Special Revenue	514,497	540,050	25,553
Debt Service	3,833	2,298	(1,535)
Enterprise	1,705,810	1,707,106	1,296
Total	\$3,019,214	\$3,011,844	(\$7,370)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$813,085	\$727,168	\$85,917
Special Revenue	482,661	411,314	71,348
Debt Service	2,298	2,298	0
Enterprise	1,818,318	1,761,661	56,657
Total	\$3,116,362	\$2,902,441	\$213,921

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$794,933	\$794,933
Special Revenue	0	523,959	523,959
Debt Service	0	(218)	(218)
Enterprise	0	1,788,111	1,788,111
Total	\$0	\$3,106,785	\$3,106,785

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$622,508	\$651,681	(\$29,173)
Special Revenue	540,832	520,985	19,847
Debt Service	2,500	2,404	96
Enterprise	1,109,436	1,313,097	(203,661)
Total	\$2,275,276	\$2,488,167	(\$212,891)

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

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

4. Property Tax

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

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

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

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

5. Debt

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Well Field Loan #3984	\$178,587	5.01%
OPWC WWTP Improvements	249,320	0.00%
OWDA WWTP Loan #2566	2,556,410	2.50%
OWDA Water Tower Loan #3235	386,463	6.41%
Land Acquisition Bond Anticipation Notes	352,000	3.75%
Police Tax Anticipation Notes	15,000	3.50%
Government Center Bonds	1,227,000	5.30%
Total	<u><u>\$4,964,780</u></u>	

The OWDA (Ohio Water Development Authority) Well Field Loan #3984 was processed by OWDA on December 18, 2003. The loan is repaid in semiannual installments of \$7,018.74 over 25 years.

The OPWC (Ohio Public Works Commission) WWTP Improvements loan was issued in 1988 in the amount of \$433,600 for wastewater treatment plant improvements. The loan is repaid in semiannual installments of \$10,840 over 20 years.

The OWDA WWTP 2566 was issued from 2000 through 2002 to finance wastewater treatment plant improvements. The loan is repaid in semiannual installments of \$123,951, including interest, over 20 years. The loan is collateralized by the Village's agreement to maintain revenues to cover debt service requirements.

The OWDA Water Tower Loan was issued in 2001 to build a new water tower. The loan is to be repaid in semiannual installments of \$18,827.26, including interest, over 25 years.

The Land Acquisition Bond Anticipation Notes were originally issued in 1998 to acquire land for various municipal uses. These notes are renewed each year in a new reduced principal amount each year up to a maximum of 30 years.

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

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

5. Debt (Continued)

The Police Tax Anticipation Notes were issued to pay for operations and equipment used in the police department. These notes were issued in 2004 in the amount of \$75,000 and will be repaid in annual installments of \$15,000, plus interest over 5 years.

The Land Acquisition Bond Anticipation Notes, Special Assessment Bonds and Government Center Bonds have the full faith, credit and revenue irrevocably pledged for the prompt payment of principal and interest.

The Government Center Bonds were issued to pay for construction of the Village Government Center. The original bonds were issued in 2002 in the amount of \$1,250,000 to be repaid in semiannual installments. This issue was refunded in 2004 for \$1,248,000 and will be repaid in semiannual installments over 28 years.

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

2009	\$74,899	\$21,680	\$14,037	\$247,904
2010	\$77,342	\$21,680	\$14,037	\$247,904
2011	\$78,627	\$21,680	\$14,037	\$247,904
2012-2016	\$418,001	\$108,400	\$70,187	\$1,239,518
2017-2021	\$468,350	\$65,040	\$70,187	\$991,614
2022-2026	523,742	0	70,187	0
2027-2032	628,259	0	35,094	0
Total	<u>\$2,269,220</u>	<u>\$238,480</u>	<u>\$287,766</u>	<u>\$2,974,844</u>

Year ending December 31:	OWDA Loan Water Tower 3235	Police Tax Anticipation Notes
2009	\$37,655	\$15,525
2010	37,655	0
2011	37,655	0
2012-2016	188,273	0
2017-2021	188,273	0
2022-2026	150,618	0
Total	<u>\$640,129</u>	<u>\$15,525</u>

6. Retirement Systems

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

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

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

6. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10.1% of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

7. Risk Management

Risk Pool Membership

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

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

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

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

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

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

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members' Equity	<u>\$5,184,333</u>	<u>\$6,862,902</u>

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

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

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

8. Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

9. Compliance

The Village failed to accurately maintain the Village's books as required by Ohio Revised Code Section 733.28 and Ohio Administrative Code Section 117-2-02(D).

The Village had multiple funds with negative fund balances which violates Ohio Revised Code Section 5705.10(H).

The Village failed to certify their annual appropriations and tax amended certificate to the County Auditor as required by Ohio Revised Code Section 5705.38(A) and 5705.36(A)(1).

Village Council failed to certify their annual appropriations with the County Auditor as required by Ohio Rev. Code Section 5705.38(A) for 2007.

Contrary to Ohio Rev. Code Section 5705.39, the Village made appropriations from improper funds rather than for the purposes for which those funds were established and in 2007, the certificate of amended resources was not submitted to the county auditor; therefore all funds had appropriations exceeding estimated resources.

Contrary to Ohio Administrative Code 117-2-02(C)(1), the Village's appropriations did not meet the minimum legal level of control for the year ended December 31, 2007.

Contrary to Ohio Rev. Code Section 5705.41(B), the Village made expenditures that were not properly appropriated.

Contrary to Ohio Rev. Code Section 5705.36(A)(1), in 2007, the Village did not certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

Contrary to Ohio Rev. Code Section 5705.41(D) the availability of funds was not certified prior to the time of commitment in 18% of expenditures tested.

10. Fiscal Emergency Determination/Subsequent Events

The Village began experiencing financial difficulties and requested assistance from the Auditor of State. Upon further review of the Village's records, the Village was placed in fiscal emergency by the Auditor of State on April 15, 2008. At December 31, 2008, the Village had several funds with negative fund balances, as noted in Note 9.

The Village submitted Financial Recovery Plan #6 to the Financial Planning and Supervisory Commission on December 21, 2009. This document details the Village's plan to identify the actions taken by the Village to restore the financial integrity of the village. The plan includes increasing the police levy, billing non-taxpayers for police services at accidents, and implementing a 1% income tax. The 1% Income Tax on the November 3, 2009 ballot was defeated. The Income Tax passed on the May 4, 2010 ballot. Also, as required by State Statute, on May 6, 2010, the Auditor of State issued its *Report on Accounting Methods*, describing corrective actions required of the Village.

VILLAGE OF WAYNESVILLE
WARREN COUNTY

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

10. Fiscal Emergency Determination/Subsequent Events (Continued)

As of April 30, 2010, the Village had the following unaudited Fund Cash Balances:

Fund	Unaudited Fund Cash Balance 4/30/2010
General	\$167,567
Special Revenue	208,217
Enterprise	1,510,545

The Village officials approved balanced budgets for the December 31, 2010 fiscal year.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

Village of Waynesville
Warren County
1400 Lytle Rd.
Waynesville, Ohio 45068

To the Village Council:

We have audited the financial statements of the Village of Waynesville, Warren County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated April 5, 2010, except for note 10, for which the date is May 6, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village experienced deficit fund balances in certain funds. Furthermore, we noted the Auditor of State served during the year ended December 31, 2008 as the Village's financial supervisor under Ohio Revised Code § 118.05 (G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Revised Code §118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

We consider finding 2008-002 and 2008-007 as described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding number 2008-002 is also a material weaknesses.

We noted certain matters that we reported to the Village's management in a separate letter dated April 5, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 2008-001 thru 2008-006.

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.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Government's management in a separate letter dated April 5, 2010.



Mary Taylor, CPA
Auditor of State

April 5, 2010 except footnote 10, for which the date is May 6, 2010

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-001

Finding for Recovery – Doug Furnas Leave Payout

Section 5.2 of the Village of Waynesville Policy Manual, regarding vacation leave, states in pertinent part, that the employee shall accrue vacation leave per pay period based on the employee's years of service. The policy manual further states an employee's unused yearly vacation leave may be carried over into the next vacation year. However, no more than one and one-half years of unused vacation leave may be accumulated at any time. Any employee who resigns or retires shall be paid for any earned but unused vacation leave provided it does not exceed the maximum carry over balance.

On August 14, 2007, Village Public Works Director Doug Furnas retired. Based upon Mr. Doug Furnas' 25 years of service, the maximum amount of leave allowed to be accumulated and paid out was 300 hours (7.692 rate accumulated X 39 accruals).

Contrary to the policy, Mr. Furnas was incorrectly allowed to carry over and be paid for 338.55 vacation hours.

Calculation:

Actual hours paid out	338.55
Maximum Allowed by policy	<u>300</u>
Difference	38.55
Rate of Pay	X <u>22.16</u>
Total Overpayment	\$854

The approval for the overpayment of vacation leave was authorized by Finance Director Staci Morris.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Doug Furnas in the amount of \$854 and in favor of The Village of Waynesville Water, Sewer and Street Maintenance Funds equally.

Additionally, 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 liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. 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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property 1980 Op. Att'y Gen. No. 80-074.

**FINDING NUMBER 2008-001
 (Continued)**

Therefore, because the Finance Director Staci Morris authorized the payment relating to the illegal expenditure in the amount of \$854, she and her bonding company, EMC Insurance Companies, are jointly and severally liable in the amount of \$854 and in favor of the Village of Waynesville's Water, Sewer and Street Maintenance Funds equally to the extent that payment is not received from Doug Furnas.

Officials' Response:

The Village of Waynesville diligently monitors the leave balances of employees. Employees are now given written notice if their vacation balance is approaching the ceiling and asked to use vacation time or risk losing it due to the maximum accumulation. Since Mr. Furnas' erroneous payout in 2007, no employee has been paid out more than the maximum accumulation.

FINDING NUMBER 2008-002

Noncompliance Citation / Material Weakness

Ohio Rev. Code, Section 733.28, states that the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived there from, and of all taxes and assessments.

Also, the Ohio Administrative Code requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Finance Director did not prepare accurate cash reconciliations during 2008 and 2007. We identified following conditions and the related corrections required to address the conditions. As a result of these conditions the December 31, 2007 combined fund balances were overstated by \$30,428, while the December 31, 2008 combined fund balances were understated by \$552. These amounts are not material to the financial statements therefore adjustments were not made to the financial statements or to the accounting records.

Condition	Effect on Village December 31, 2007 combined fund balance (rounded to the dollar)
The Village did not provide adequate documentation for this adjustment	\$(5,748)
The Village recorded this amount as a deposit in transit on the reconciliation, but \$24,977 (see * below) of this amount was later identified as a January 2007 Village posting error.	(25,347)
The Village identified this amount as the balance of the payroll account, but provided no supporting documentation.	(7,639)
The Village identified this amount as an outstanding payroll checks, but provided no supporting documentation.	8,362
The Village had interest not posted.	(307)
The Village recorded an incorrect amount for the bank balance.	251
Total	\$(30,428)

**FINDING NUMBER 2008-002
 (Continued)**

Condition	Effect on Village December 31, 2008 combined fund balance (rounded to the dollar)
The Village did not provide adequate documentation for this adjustment	\$157
The Village identified this amount as a deposit in transit, but provided no supporting documentation.	(371)
The Village identified this amount as "money to transfer from checking to payroll" but provided no supporting documentation.	6,075
The Village identified this amount as the balance of the payroll account, but provided no supporting documentation.	(7,639)
The Village identified this amount as an outstanding payroll checks, but provided no supporting documentation.	8,362
The Village did not post interest earned to their records	(307)
Difference between Village bank balance and bank balance confirmed by auditors.	(5,725)
Total	\$552

*As a result of the \$24,977 posting error identified above, the following opinion units were misstated, however as noted above these amounts were not material and therefore the financial statements nor the accounting records were not adjusted:

Year	Opinion Unit	Amount overstated (understated)
2007	General Fund	\$19,943
2007	Special Revenue Funds	3,533
2007	Enterprise Funds	1,500
2008	General Fund	(19,943)
2008	Special Revenue Funds	(3,533)
2008	Enterprise Funds	(1,500)

We also noted other conditions related to the Village reconciliation process.

- There is no evidence that monthly bank reconciliations are reviewed upon completion.
- Authorized signatories were not updated in a timely manner with the financial institutions used by the Village. As of December 2008, the former Village Finance Director Kristen Spiekerman was still listed on several of the actual bank accounts, and as of 12/31/08 was the authorized signer on the Star Ohio account.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been deposited with the financial institution and reported on the financial statements. We recommend that the Finance Director properly reconcile their accounts on a monthly basis. We also recommend that Council or an appointee of Council, review and sign off on the reconciliation thereby indicating approval and promoting timeliness of reconciliations. Failure to accurately prepare and reconcile the accounting records reduces the accountability over Villages funds and reduces Council's ability to monitor financial activity, increases the risk that errors, theft, or fraud could occur and not be detected in a timely manner.

**FINDING NUMBER 2008-002
(Continued)**

Officials' Response:

The Village of Waynesville does in fact have detailed documentation for ANY AND ALL adjustments or entries posted into the computer system and this documentation is available. The Village is currently pursuing options to ensure that reconciliations are reviewed monthly and that those reconciliations continue to be accurate.

The former Finance Director was listed only on the Star Ohio Account, and this was corrected in 2009.

Description of items related to December 31, 2007 fund balances:

The \$5747.64 adjustment is shown on the Village's December 31, 2007 proof of cash and bank reconciliation for the following:

- \$9.45 Star Ohio interest (posted the next month)
- \$240.80 Merrill Lynch interest (posted the next month)
- \$46.50 Morgan Stanley interest (posted the next month)
- (\$1397.47) NSF from water customer (posted the next month)
- \$217.95 deposit in transit (posted the next month)
- (\$4864.87) payroll account corrections from 2005-2007 (posted December 2008)

The \$25,347.57 adjustment is shown on the Village's December 31, 2007 proof of cash and bank reconciliation for the following:

- \$370.79 deposit in transit from June 2006 (written off in 2009)
- \$24,976.78 January 2007 posting error (corrected in December 2008)

The (\$7638.67) and \$8362.45 payroll items shown on the Village's December 31, 2007 proof of cash and bank reconciliation have been carried since 2004 and have been corrected for the year ended in 2009.

The \$307.45 "interest not posted" was outstanding at the end of 2006 and was posted October 4, 2007 before the completion of the previous audit. The amounts are as follows:

- \$10.23 Star Ohio interest
- \$51.32 Merrill Lynch interest
- \$245.90 Morgan Stanley interest

The \$251.30 is a difference in the payroll account balance since the reconciliations from the 2005-2006 audit (bank balance greater than reconciliation). This amount has been corrected for the year ended in 2009.

Description of items related to December 31, 2008 fund balances:

The Village has requested information from the Auditor of State's office related to this "adjustment" of \$157, as we have been unable to find this amount listed on the proof of cash or the bank reconciliation.

The \$370.79 adjustment is shown on the Village's December 31, 2008 proof of cash and bank reconciliation is for a deposit in transit outstanding since June 2006 (has been written off for the year ended in 2009).

**FINDING NUMBER 2008-002
(Continued)**

The \$6075.16 amount that needed transferred to the payroll account from the general checking on the Village's December 31, 2008 proof of cash and bank reconciliation is to correct the payroll adjustments listed above (completed in 2009).

The (\$7638.67) and \$8362.45 payroll items shown on the Village's December 31, 2008 proof of cash and bank reconciliation have been carried since 2004 and have been corrected for the year ended in 2009.

The \$307.45 "interest not posted" was outstanding at the end of 2006 and was posted October 4, 2007 before the completion of the previous audit. The amounts are as follows:

\$10.23 Star Ohio interest
\$51.32 Merrill Lynch interest
\$245.90 Morgan Stanley interest

According to the Village's bank reconciliation and proof of cash, the (\$5725.95) difference is related to the (\$6075.16) that needs transferred to the payroll, \$233.82 NSF from water customer deposited the next month, and \$115.39 paid to Ohio Police and Fire Pension in December 2008 for January 2009. All of these items have been corrected in 2009.

Auditor of State's Conclusion:

Auditors requested supporting documentation to verify reconciling items provided by the Village. While the Finance Director provided spreadsheets with reconciling amounts, the reconciling amounts identified in this finding did not agree to independent documentation such as bank or investment account statements or outstanding check lists. Also, balances on bank statements that were provided by the Finance Director did not match amounts listed on the monthly bank to book reconciliations. Finally, month-end book to bank reconciliations from January 2007 through November 2008 included a \$24,977 deposit in transit that cleared the bank in January 2007, so the Village's book balances were overstated by that amount for the entire period.

FINDING NUMBER 2008-003

Noncompliance Citation

Ohio Rev. Code, Section 5705.10(H), provides that money paid into a fund must be used only for the purposes for which such fund was established. The following funds had negative fund balances in 2007:

Fund	Fund Balance At 12/31/07
Street Construction Maintenance & Repair (B01)	\$(160,148)
Parks & Recreation (B04)	(264)
Police Law Enforcement (B20)	(335,482)
Historic Preservation Grant (B80)	(2,402)
Sidewalk Assessment (H02)	(1,535)

The deficit balances in the above table indicates money from other funds was used to cover the expenditures of this fund, contrary to law.

On April 15, 2008, the Village of Waynesville was placed in Fiscal Emergency due to negative fund balances. Per the Village's Recovery Plan, dated October 14, 2008 certain fund balances were still expected to be negative, however some of those funds exceeded the negative forecasted balances.

Fund	Actual Fund Balance	Forecasted Fund Balance	Variance
Street Construction Maintenance & Repair (B01)	\$(148,332)	\$(144,941)	\$(3,391)
Police Law Enforcement (B20)	\$(279,822)	\$(260,638)	\$(19,184)
Sidewalk Assessment (H02)	\$(1,535)	\$(247)	\$(1,288)

Failure to monitor budgetary activity can result in overspending and negative fund balances. The management of the Village should monitor the Village's budgetary receipts and expenditures by having the Finance Director provide budgetary reports at least quarterly to be reviewed and approved by Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Village.

Officials' Response:

The Village of Waynesville was placed in Fiscal Emergency April 15, 2008 due to several funds having negative fund balances. The only two remaining funds with deficit balances at this point (April 2010) are the Street Construction Maintenance and Repair Fund (B01) and the Police Levy Fund (B20). With the passage of the Police Levy in November 2008, the Police Levy is projected to have a positive balance by the end of 2011. With an income tax beginning in July 2010, the Street Maintenance and Repair Fund is projected to have a positive balance by the end of 2011.

The Village Council and administration diligently follow a recovery plan that ensures that no deficit balances occur in the next five years. This recovery plan is first approved by Council, and then approved by the Governor's Supervisory Financial Oversight Commission.

**FINDING NUMBER 2008-003
 (Continued)**

The fund balances and budgetary position are monitored monthly by Council and at least bimonthly by the Governor’s Supervisory Financial Oversight Commission. Since the Village has been placed in fiscal emergency, the Commission has consistently praised Village Council for following the recovery plan and using available resources wisely.

FINDING NUMBER 2008-004

Noncompliance Citation

Ohio Rev. Code, Section 5705.38(A), requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. The Village Council approved annual appropriations for 2007, but did not certify these with the County Auditor.

Ohio Rev. Code, Section 5705.39, states that 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. Appropriations shall be made from each fund only for the purposes for which such fund is established.

Ohio Administrative Code, 117-2-02(C)(1), states in part the legal level of control is the level (e.g. fund, program or function, department, object) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates. For all local public offices subject to the provisions of Chapter 5705 of the Revised Code, except school districts and public libraries, the minimum legal level of control is described in Section 5705.38 of the Revised Code. Ohio Rev. Code 5705.38(C) requires the following minimum level of budgetary control for “subdivisions” other than schools: Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services. The Village’s appropriations did not meet the minimum legal level of control for the year ended December 31, 2007.

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making expenditure unless it has been properly appropriated. The following funds had expenditures which exceeded appropriations:

Year Ended December 31, 2007	Appropriations	Budgetary Expenditures	Variance
General	\$622,508	\$651,681	(\$29,173)
SCMR	122,194	127,550	(5,356)
Police	310,153	318,863	(8,710)
Street Levy	50,216	82,476	(32,260)
Water	300,761	318,409	(17,648)
Sewer	514,910	534,648	(19,738)
Water Tower Deposits	0	18,827	(18,827)
Water Capital Improvement	38,773	57,386	(18,613)
Sewer Capital Improvement	73,452	197,403	(123,952)

**FINDING NUMBER 2008-004
(Continued)**

Failure to monitor budgetary activity can result in overspending and negative fund balances. We recommend the Finance Director deny any payments until the legislative authority has passed the necessary changes to the appropriation measure. There is some indication that management has started to monitor the Village budgetary receipts and expenditures, and we recommend that the Village continue to monitor receipts and expenditures at least quarterly. We also suggest that the Village Council document their review. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Village. The Village should refer to the Ohio Compliance Supplement and Village Officer's Handbook for guidance on the legal budgetary process.

Officials' Response:

The actual expenditures for 2007 did not exceed appropriations, but the budgetary appropriations did. Budgetary expenditures are the previous year's encumbrances spent in the current year, current year's expenditures, and encumbrances outstanding at year-end. The Finance Director will ensure that budgetary expenditures do not exceed the current year's appropriations in the future by asking Council to amend appropriations when necessary and by monitoring the budgetary expenditures, not just the actual expenditures.

Appropriations since 2008 have been passed by Council above the minimum legal level of control and will continue to be so into the future. Appropriations and expenditures have also been made only for the purpose for which a fund is established.

Since 2008, appropriations are filed with the County Auditor immediately upon passage by Village Council. The Auditor would not have been able to provide a certificate that appropriations do not exceed the official estimate due to the fact that the Village did not receive December 31, 2006 fund balances from the Auditor of State's office until late 2008.

Auditor of State's Conclusion:

The Auditor of State Local Government Services Division was engaged to reconstruct the Village records and established accurate January 1, 2007 fund balances. These records were then subjected to a Non-GAGAS review by the Auditor of State's Audit Division. Corrected December 31, 2006 fund balances and related adjusting entries were provided by the Auditor of State to the Village Finance Director and were posted by the Finance Director to the Village's computer system in December 2007.

FINDING NUMBER 2008-005

Noncompliance Citation

Ohio Rev. Code, Section 5705.36(A)(1), requires on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

Ohio Rev. Code, Section 5705.39, provides that the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

**FINDING NUMBER 2008-005
(Continued)**

During testing we noted the following:

- In 2007, the Village did not certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.
- In 2007, the certificate of amended resources was not submitted to the county auditor; therefore all funds had appropriations exceeding estimated resources.

We recommend the Village prepare the necessary documents and use due care in monitoring their budgetary documents since these documents are an integral part of the budgetary control process. The Village should integrate the budgetary documents into the computer system. Failure to properly monitor budgetary activity could result in negative fund balances. We recommend that the Village monitor budgetary activity on a regular basis and obtain amended certificates as needed. The Village should refer to the Ohio Compliance Supplement and Village Officer's Handbook for guidance on the legal budgetary process.

Officials' Response:

The Village was unable to certify the total amount available for expenditures from each fund in 2007 due to the fact that fund balances as of 01/01/2007 were not received from the Auditor of State's office until late 2008. From 2008 forward, the total amount has been certified to the Warren County Auditor in the first few weeks of the year.

The Village was unable to request an amended certificate in 2007 due to not having the beginning of the year fund balances or a history of revenue from which to estimate. From 2008 forward, the Village has consistently requested amended certificates from the Warren County Auditor when required and will continue to do so to ensure that appropriations do not exceed estimated resources.

Budgetary amounts (revenue estimates and appropriations) are entered into the computer system at the beginning of each year and immediately upon amendment. The budgetary position and remaining appropriations are monitored monthly by Council and at least bimonthly by the Governor's Supervisory Financial Oversight Commission.

Auditor of State's Conclusion:

The Auditor of State Local Government Services Division was engaged to reconstruct the Village records and established accurate January 1, 2007 fund balances. These records were then subjected to a Non-GAGAS review by the Auditor of State's Audit Division. Corrected December 31, 2006 fund balances and related adjusting entries were provided by the Auditor of State to the Village Finance Director and were posted by the Finance Director to the Village's computer system in December 2007. Ultimately, the Village is responsible for maintaining accurate accounting records and fund balances.

FINDING NUMBER 2008-006

Noncompliance Citation

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

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

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified prior to the time of commitment in 18% of expenditures tested nor did the Village use the aforementioned exceptions. Also, the Finance Director did not sign any purchase orders in 2007. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly encumber could result in overspending funds and negative cash fund balances.

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

**FINDING NUMBER 2008-006
(Continued)**

We recommend the officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Finance Director should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Village should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

In 2007, the Finance Director did not certify the availability of funds on purchase orders due to the fact that the Finance Director could not be certain that the funds were available because the Village did not have accurate fund balances. The Finance Director could not be expected to assume liability if the funds were certified and later found out not to be available for expenditure.

The Village uses purchase orders with the Fiscal Officer's certification and signature contained within to ensure that funds are available to make a purchase. If the funds are not available, an expenditure is not made. When a purchase order is entered into the computer system, available appropriations are reduced, ensuring that expenditures do not exceed the amount approved by Council. Then and Now Certificates and Blanket Purchase Orders are consistently used to ensure that funds are available and available appropriations are reduced in the computer system.

The Village Fiscal Officer's certification contains the required language from Ohio Revised Code 5705.41(D) and is only signed when the requirements of ORC 5705.41(D) are satisfied.

This page intentionally left blank.

**VILLAGE OF WAYNESVILLE
WARREN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Finding for Recovery repaid under audit. Doug Furnas Overpayment		
2006-002	Finding for Recovery repaid under audit. Bruce Snell		
2006-003	Finding for Recovery repaid under audit. Rod Smith		
2006-004	Finding for Recovery repaid under audit. Rod Smith		
2006-005	Finding for Recovery – Scott Campbell Leave Payout		
2006-006	Policy Manual section 4.6 regarding reimbursements finding for recovery.		
2006-007	Finding for Recovery – Shane Wiseman Credit Card Expenditures		
2006-008	Finding for Recovery – Angela Tipton Credit Card Expenditures		
2006-009	Ohio Rev. Code, Section 5705.09(F), provides that each subdivision establish a special fund for each revenue source.	Yes	
2006-010	Ohio Rev. Code, Section 733.28, states that the village should keep accurate books.	No	Partially Corrected. Repeated as a management letter comment.
2006-011	Ohio Rev. Code, Section 117.38, requires each public office to file an annual financial report.	Yes	

Village of Waynesville
Warren County
Schedule of Prior Audit Findings
Page 2

2006-012	Ohio Rev. Code, Section 5705.10(H), negative fund balance.	No	Not corrected Repeated as finding number 2008-003
2006-013	Ohio Rev. Code, Section 5705.41(D), proper encumbering.	No	Partially corrected Repeated as finding number 2008-006.
2006-014	Ohio Rev. Code, Section 5705.38(A), requires that on or about the first day of each fiscal year, an appropriation measure is to be passed.	No	Partially corrected Repeated as finding number 2008-004
2006-015	Ohio Rev. Code, Section 5705.34, Ohio Rev. Code, Section 5705.36(A)(1), Ohio Rev. Code, Section 5705.39,	No	Partially Corrected Repeated as finding number 2008-005
2006-016	<u>White v. Clinton Cty. Bd. of Commrs' (1996)</u> , 76 Ohio St.3d 416, Ohio Rev. Code Sections 121.22, and 149.43	No	Partially Corrected Repeated as a management letter comment.
2006-017	Ohio Rev. Code, Section 9.38, 24 hour deposits.	No	Partially Corrected. Repeated as a management letter comment.
2006-018	Ohio Rev. Code, Section 149.351(A) destruction of records.	Yes	
2006-019	Internal Controls	No	Partially Corrected repeated as a management letter comment.
2006-020	Internal Controls Village Policies	Yes	
2006-021	Payroll related items	No	Not corrected. Finding number 2008-001 finding for recovery



Mary Taylor, CPA
Auditor of State

VILLAGE OF WAYNESVILLE

WARREN 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 10, 2010**