



Mary Taylor, CPA
Auditor of State

VILLAGE OF WAYNE
WOOD COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Wayne
Wood County
125 Schoolhouse Street
P.O. Box 39
Wayne, Ohio 43466-0039

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.

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

Mary Taylor, CPA
Auditor of State

October 7, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Wayne
Wood County
125 Schoolhouse Street
P.O. Box 39
Wayne, Ohio 43466-0039

To the Village Council:

We have audited the accompanying financial statements of Village of Wayne, Wood County, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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, 2007 and 2006, 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, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Wayne, Wood County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in note 2 to the financial statements the Village reclassified its expendable trust fund in 2006.

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 October 7, 2008, 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

October 7, 2008

**VILLAGE OF WAYNE
WOOD 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$23,331	\$59,994	\$83,325
Intergovernmental	30,165	65,080	95,245
Special Assessments		14,217	14,217
Charges for Services	317	58,979	59,296
Fines, Licenses and Permits	7,970		7,970
Earnings on Investments	3,474	26,418	29,892
Miscellaneous	4,090	4,469	8,559
	<u>69,347</u>	<u>229,157</u>	<u>298,504</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	23,174	92,959	116,133
Leisure Time Activities	1,461	4,821	6,282
Basic Utility Service	8,067		8,067
Transportation		21,372	21,372
General Government	39,324		39,324
Debt Service:			
Redemption of Principal		7,012	7,012
Interest and Fiscal Charges		2,158	2,158
Capital Outlay	4,840	123,669	128,509
	<u>76,866</u>	<u>251,991</u>	<u>328,857</u>
Total Cash Disbursements			
Total Receipts Under Disbursements	<u>(7,519)</u>	<u>(22,834)</u>	<u>(30,353)</u>
Other Financing Receipts / (Disbursements):			
Proceeds of Loans		80,000	80,000
Transfers-In		13,000	13,000
Transfers-Out	(13,000)		(13,000)
	<u>(13,000)</u>	<u>93,000</u>	<u>80,000</u>
Total Other Financing Receipts / (Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(20,519)	70,166	49,647
Fund Cash Balances, January 1	<u>114,639</u>	<u>357,194</u>	<u>471,833</u>
Fund Cash Balances, December 31	<u><u>\$94,120</u></u>	<u><u>\$427,360</u></u>	<u><u>\$521,480</u></u>

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

**VILLAGE OF WAYNE
WOOD 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 Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$204,820		\$204,820
Fines, Licenses and Permits		\$8,041	8,041
Total Operating Cash Receipts	204,820	8,041	212,861
Operating Cash Disbursements:			
Personal Services	67,263		67,263
Contractual Services	38,282		38,282
Supplies and Materials	43,443		43,443
Other		8,041	8,041
Total Operating Cash Disbursements	148,988	8,041	157,029
Operating Income	55,832		55,832
Non-Operating Cash Receipts:			
Intergovernmental	147,927		147,927
Non-Operating Cash Disbursements:			
Capital Outlay	5,386		5,386
Redemption of Principal	51,300		51,300
Interest and Other Fiscal Charges	208,298		208,298
Total Non-Operating Cash Disbursements	264,984		264,984
Net Receipts Under Disbursements	(61,225)		(61,225)
Fund Cash Balances, January 1	350,165	20	350,185
Fund Cash Balances, December 31	\$288,940	\$20	\$288,960

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

**VILLAGE OF WAYNE
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$23,455	\$60,267	\$83,722
Intergovernmental	29,934	57,203	87,137
Special Assessments		14,350	14,350
Charges for Services	368	46,368	46,736
Fines, Licenses and Permits	9,994		9,994
Earnings on Investments	3,719	25,757	29,476
Miscellaneous	5,174	14,103	19,277
	<u>72,644</u>	<u>218,048</u>	<u>290,692</u>
Total Cash Receipts			
	<u>72,644</u>	<u>218,048</u>	<u>290,692</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	23,966	85,518	109,484
Leisure Time Activities	505	9,785	10,290
Basic Utility Service	8,161		8,161
Transportation	13	20,842	20,855
General Government	50,105	850	50,955
Debt Service:			
Redemption of Principal		2,200	2,200
Interest and Fiscal Charges		94	94
Capital Outlay	1,732	9,840	11,572
	<u>84,482</u>	<u>129,129</u>	<u>213,611</u>
Total Cash Disbursements			
	<u>84,482</u>	<u>129,129</u>	<u>213,611</u>
Total Receipts Over/(Under) Disbursements	<u>(11,838)</u>	<u>88,919</u>	<u>77,081</u>
Other Financing Receipts / (Disbursements):			
Transfers-In		16,000	16,000
Transfers-Out	(16,000)		(16,000)
	<u>(16,000)</u>	<u>16,000</u>	
Total Other Financing Receipts / (Disbursements)			
	<u>(16,000)</u>	<u>16,000</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(27,838)</u>	<u>104,919</u>	<u>77,081</u>
Fund Cash Balances, January 1	<u>142,477</u>	<u>252,275</u>	<u>394,752</u>
Fund Cash Balances, December 31	<u><u>\$114,639</u></u>	<u><u>\$357,194</u></u>	<u><u>\$471,833</u></u>

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

**VILLAGE OF WAYNE
WOOD 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, 2006**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$205,410		\$205,410
Fines, Licenses and Permits		\$10,830	10,830
Miscellaneous	1,750		1,750
Total Operating Cash Receipts	207,160	10,830	217,990
Operating Cash Disbursements:			
Personal Services	74,150		74,150
Contractual Services	49,732		49,732
Supplies and Materials	39,718		39,718
Other		10,830	10,830
Total Operating Cash Disbursements	163,600	10,830	174,430
Operating Income	43,560		43,560
Non-Operating Cash Receipts:			
Intergovernmental	110,475		110,475
Sale of Bonds	1,941,000		1,941,000
Total Non-Operating Cash Receipts	2,051,475		2,051,475
Non-Operating Cash Disbursements:			
Capital Outlay	112,469		112,469
Redemption of Principal	1,958,000		1,958,000
Interest and Other Fiscal Charges	83,898		83,898
Total Non-Operating Cash Disbursements	2,154,367		2,154,367
Net Receipts Under Disbursements	(59,332)		(59,332)
Fund Cash Balances, January 1	409,497	20	409,517
Fund Cash Balances, December 31	\$350,165	\$20	\$350,185

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

**VILLAGE OF WAYNE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 Wayne, Wood County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates fire levy money to support a volunteer fire department.

The Village participates in the Ohio Government Risk Management Plan public entity risk pool. Note 8 to the financial statements provide additional information for this entity.

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. Cash 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.

The Village values certificates of deposit and repurchase agreements at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes.

**VILLAGE OF WAYNE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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.

Fire Protection Fund – This fund receives proceeds of a fire levy and contracts with other entities for operations of the Village fire department.

Police Protection Fund – This fund receives proceeds of a police levy for operation of the Village police department.

3. 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.

4. 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 accounts for activity of the Mayor's Court.

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 WAYNE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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. The Village did not use the encumbrance method of accounting.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

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. RECLASSIFICATION OF FUND BALANCE

Pursuant to Governmental Accounting Standards Board Statement number 34, the Village has reclassified its expendable trust fund to a special revenue fund for 2006. The effect on fund balance is as follows:

	Special Revenue	Expendable Trust
Fund Balance as of December 31, 2005	\$199,752	\$52,523
Fund reclassification adjustment	52,523	(\$52,523)
Adjusted January 1, 2006 Balance	<u>\$252,275</u>	<u></u>

**VILLAGE OF WAYNE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand deposits	\$203,445	\$232,013
Certificates of deposit	21,995	50,005
Total deposits	225,440	282,018
Repurchase agreement	585,000	540,000
Total deposits and investments	\$810,440	\$822,018

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

Investments: A financial institution's trust department holds the Village's equity securities for repurchase agreements in book entry form in the Village's name.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,686	\$69,347	(\$3,339)
Special Revenue	194,816	322,157	127,341
Enterprise	190,000	352,747	162,747
Total	\$457,502	\$744,251	\$286,749

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$115,450	\$89,866	\$25,584
Special Revenue	406,430	251,991	154,439
Enterprise	467,870	413,972	53,898
Total	\$989,750	\$755,829	\$233,921

**VILLAGE OF WAYNE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. BUDGETARY ACTIVITY – (CONTINUED)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$76,337	\$72,644	(\$3,693)
Special Revenue	217,692	234,048	16,356
Enterprise	2,269,224	2,258,635	(10,589)
Total	\$2,563,253	\$2,565,327	\$2,074

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$116,750	\$100,482	\$16,268
Special Revenue	315,280	129,129	186,151
Enterprise	2,473,870	2,317,967	155,903
Total	\$2,905,900	\$2,547,578	\$358,322

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Special Events fund by \$3,901, the Water fund by \$57,218, and the Park fund by \$2,214 for the year ended December 31, 2007; and in the Special Events fund by \$9,785 for the year ended December 31, 2006.

5. 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.

**VILLAGE OF WAYNE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

C

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$1,164,000	5.125%
Rural Development Bonds	1,906,700	4.375%
General Obligation Notes	72,988	4.980%
Total	\$3,143,688	

The Mortgage Revenue Bonds were issued to retire a federal loan received in 1996 for the installation of a sanitary sewer system within the Village. Proceeds from sanitary sewer charges will be used to retire the bonds. The bonds will be repaid in annual installments in amounts designated in the terms of the bond agreement, including interest over 40 years.

The Rural Development Bonds were issued to retire Ohio Water Development Authority (OWDA) loan related to a water plant project the Ohio Environmental Protection Agency mandated. The Village will repay the loans in annual installments in amounts designated in the terms of the bond agreement, including interest, over 30 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover USDA debt service requirements. The Village has not established the required debt service or debt reserve funds.

The General Obligation Note was issued to finance the purchase of a fire truck for the Village Fire Department. The note is a direct obligation of the Village for which its full faith, credit and resources are pledged. The fire truck collateralizes the note. The note will be repaid in semi-annual installments, including interest over 5 years.

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

	Mortgage Revenue Bonds	Rural Development Bonds	General Obligation Notes
Year ending December 31:			
2008	\$78,655	\$117,447	\$18,339
2009	77,681	117,339	18,339
2010	78,708	117,291	18,339
2011	77,631	117,376	18,339
2012	76,555	117,299	9,176
2013 – 2017	390,581	586,789	
2018 – 2022	389,630	586,764	
2023 – 2027	389,173	586,606	
2028 – 2032	389,390	586,795	
2033 – 2036	312,234	469,376	
Total	\$2,260,238	\$3,403,082	\$82,532

**VILLAGE OF WAYNE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9.0%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

8. 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 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except 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:

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

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

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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 Wayne
Wood County
125 Schoolhouse Street
P.O. Box 39
Wayne, Ohio 43466-0039

To the Village Council:

We have audited the financial statements of the Village of Wayne, Wood County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 7, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 the following deficiency described in the accompanying schedule of findings to be significant deficiency in internal control over financial reporting: 2007-006.

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. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated October 7, 2008.

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 2007-001 through 2007-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 7, 2008.

We intend this report solely for the information and use of the management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 7, 2008.

**VILLAGE OF WAYNE
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Finding for Recovery Repaid Under Audit

Village of Wayne Ordinance 11-95-506 sets the annual salary for the President of Council at \$840. Village of Wayne Minutes of December 14, 2005, provided that new term council members shall be entitled to a raise of \$250. This established the President of Council's salary at \$1,090.

Doreen Ault, President of Council, was re-elected to a new term in 2006, thus entitling her to an annual salary of \$1,090. In 2006 and 2007, however, Ms. Ault, President was paid an annual salary of \$1,220 each year. This resulted in a total overpayment of \$260.

In accordance with the forgoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Doreen Ault, President of Council, in the amount of \$260.00, and in favor of Village of Wayne, General Fund.

The finding for recovery was repaid on September 30, 2008.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Revised Code § 117.38 requires all cash-basis entities to file an annual report with the Auditor of State within 60 days of fiscal year end. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village's accounting records for 2007 and 2006 were not maintained on a current basis and reconciled. Subsequent to 2007 the accounting records were updated and reconciled and available for audit in July 2008. This resulted in the Village failing to meet the filing requirements of their annual reports for 2007 and 2006.

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states no subdivision 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. The fiscal officer must certify that the amount required to meet such a commitment 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

**FINDING NUMBER 2007-003
(Continued)**

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.

None of the Village's expenditures were certified by the fiscal officer until the time of payment. Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Board.

To improve controls over disbursements, we recommend all Village non-payroll disbursements receive prior certification of the fiscal officer. When that is not possible, a Then and Now Certificate should be executed. 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 a 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 2007-004

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

Our testing of budgetary compliance identified the following instances in which expenditures exceeded appropriations:

Fund	Expenditures	Appropriations	Variance
Special Events FY 2006	\$ 9,785	\$0	\$ 9,785
Special Events FY 2007	3,901	0	3,901
Park FY 2007	37,214	35,000	2,214
Water Fund FY 2007	139,718	82,500	57,218

Management was advised the failure to have adequate appropriations in place at the time expenditures are being made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council approve increased expenditure levels by increasing appropriations and amending estimated resources, if funds are available.

FINDING NUMBER 2007-005

Noncompliance Citation

Village of Wayne Ordinance No. 5-6-612 Section 8 - Rural Development Bonds requires the Fiscal Officer of the Village to create the following funds into which the revenues and income from the water system shall be deposited: Project Fund, Revenue Fund, Debt Service Fund, Reserve Fund, and Surplus Fund. Section 10 of Ordinance No. 5-6-612 states that as long as any Bonds remain outstanding, all revenues from the operation of the water system shall be transferred to, or deposited in, the Revenue Fund. Out of that Fund, and after reserving therein at all times an amount sufficient to provide adequate working capital for the System, payments shall be made to the Debt Service Fund, Reserve Fund and Surplus Fund.

The Village had not created, or paid the required amounts, into the Debt Service Fund, Reserve Fund, or Surplus Fund during 2007 or 2006. In 2008 the Fiscal Officer did create the Reserve Fund and started to pay in the monthly amount established by ordinance. An adjustment was made in the amount of \$17,622 to the Debt Reserve Fund in order to bring the Village into compliance with the debt reserve requirements as of December 31, 2007. In addition, the water fund had a net loss of \$30,937 in 2007 indicating revenues are not adequate to meet the obligations for the operating costs and debt obligations of the water fund.

Failure to meet the debt covenants of the Rural Development Bonds could be considered an event of default and the inability to meet the obligations of the water fund. We recommend the Village establish the required funds and follow the proper payment procedures to be in compliance with Sections 8 and 10 of Ordinance No. 5-6-612.

FINDING NUMBER 2007-006

Financial Reporting and Monitoring Controls – Material Weakness

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. Sound financial reporting is the responsibility of the fiscal officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The Fiscal Officer performs most of the accounting functions. It is therefore important that Council monitor financial activity closely.

During this audit period the posting of revenue and expenditure transactions to the Village's financial accounting system was not completed until July 2008. Estimated revenues were not posted to the accounting system and appropriations posted to the accounting system did not agree with the approved appropriations or their amendments. In addition, through the date of this audit report the 2008 revenue and expenditure transactions have not been posted to the Village's financial accounting system. These deficiencies resulted in:

1. As noted in Finding 2007-002 the Village was declared unauditible in March 2008 since the 2007 and 2006 accounting system was not updated and reconciled. Subsequent to March 2008 the accounting system was updated and reconciled. This resulted in the annual financial reports not filed and available for audit until July 2008.
2. Current financial reports or financial information was not available to assist Council in making decisions in the operations of the Village.
3. Twenty-seven audit reclassifications and adjustments ranging from \$181 to \$110,475 were required.

Sound financial reporting is the responsibility of the Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is current, complete and accurate. The Village is a small entity which does not lend itself to employ individuals to segregate duties. Strong monitoring controls will assist the Village Council and management by mitigating the absence of the segregation of duties. We recommend monitoring controls be reviewed and increased. Procedures should include, but are not limited to:

1. The accounting system should be updated and reconciled to the bank on a monthly basis.
2. Fiscal Officer should present to Council on a monthly basis the Cash Summary by Fund, Revenue Status Report, Expenditure Status Report, Bank Reconciliation, Receipt Report, and Expense Report (lists all checks to be paid) to assist Council in their decision making. Council's review and approval of these reports should be noted in the minutes.
3. On a monthly basis Council or their designee should review the accounting records to determine if transactions are posted to the correct fund/accounts and bank account reconciliations including verification of bank balances and reconciling items with the bank statements and books of the Village.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF WAYNE
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revised Code § 5705.41(D), expenditures not properly certified.	No	Not corrected, repeated as finding 2007-003 in this report.
2005-002	Ohio Revised Code § 5705.41(B), expenditures exceeded appropriations.	No	Not corrected, repeated as finding 2007-004 in this report.



Mary Taylor, CPA
Auditor of State

VILLAGE OF WAYNE

WOOD 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
NOVEMBER 6, 2008