

VILLAGE OF WAYNE LAKES
DAYTON REGION, DARKE COUNTY
REGULAR AUDIT
JANUARY 1, 2005 – DECEMBER 31, 2006



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Wayne Lakes
100 Community Drive
Wayne Lakes, Ohio 45331

We have reviewed the *Independent Accountants' Report* of the Village of Wayne Lakes, Darke County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Wayne Lakes is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 1, 2008

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**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

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**MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Wayne Lakes, Darke County, (the Village), as of and for the years ended December 31, 2006 and 2005. 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 that 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, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position for the years then ended.

Village of Wayne Lakes
Darke County
Independent Accountants' Report
Page 2

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Wayne Lakes, Darke County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 a report dated December 5, 2007, 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.

Manning & Associates CPAs, LLC
Dayton, Ohio

December 5, 2007

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**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

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

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property and other Local Taxes	\$ 68,408	6,549	0	\$ 74,957
Intergovernmental Receipts	29,649	33,177	17,025	79,851
Charges for Services	18,503	0	0	18,503
Fines, Licenses and Permits	16,435	0	0	16,435
Earnings on Investments	418	65	20	503
Miscellaneous	1,150	0	0	1,150
Total Cash Receipts	<u>134,563</u>	<u>39,791</u>	<u>17,045</u>	<u>191,399</u>
Cash Disbursements:				
Current:				
Security of Person and Property	137	0	0	137
Public Health Services	2,892	0	0	2,892
Leisure Time Activities	34,282	0	0	34,282
Community Environment	24,724	0	0	24,724
Transportation	0	23,854	0	23,854
Basic Utility Services	5,260	0	0	5,260
General Government	22,931	0	351	23,282
Debt Service:				
Principal Payments	0	5,762	45,000	50,762
Interest Payments	0	505	21,030	21,535
Total Cash Disbursements	<u>90,226</u>	<u>30,121</u>	<u>66,381</u>	<u>186,728</u>
Total Receipts Over/(Under) Disbursements	<u>44,337</u>	<u>9,670</u>	<u>(49,336)</u>	<u>4,671</u>
Other Financing Receipts/(Disbursements):				
Transfers-in	0	0	49,336	49,336
Transfers-out	(49,336)	0	0	(49,336)
Total Other Financing Receipts/ Disbursements	<u>(49,336)</u>	<u>0</u>	<u>49,336</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(4,999)</u>	<u>9,670</u>	<u>0</u>	<u>4,671</u>
Fund Cash Balances, January 1,	<u>20,338</u>	<u>10,373</u>	<u>0</u>	<u>30,711</u>
Fund Cash Balances, December 31,	<u>\$ 15,339</u>	<u>\$ 20,043</u>	<u>\$ 0</u>	<u>\$ 35,382</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property and other Local Taxes	\$ 63,026	6,491	0	\$ 69,517
Intergovernmental Receipts	28,649	31,314	15,158	75,121
Charges for Services	23,897	0	0	23,897
Fines, Licenses and Permits	18,195	0	0	18,195
Earnings on Investments	257	42	4	303
Miscellaneous	1,506	0	0	1,506
Total Cash Receipts	<u>135,530</u>	<u>37,847</u>	<u>15,162</u>	<u>188,539</u>
Cash Disbursements:				
Current:				
Security of Person and Property	137	0	0	137
Public Health Services	2,879	0	0	2,879
Leisure Time Activities	28,433	0	0	28,433
Community Environment	23,160	0	0	23,160
Transportation	0	31,719	0	31,719
Basic Utility Services	5,040	0	0	5,040
General Government	27,057	0	1,150	28,207
Capital Outlay	0	8,861	0	8,861
Debt Service:				
Principal Payments	0	5,519	40,000	45,519
Interest Payments	0	747	22,750	23,497
Total Cash Disbursements	<u>86,706</u>	<u>46,846</u>	<u>63,900</u>	<u>197,452</u>
Total Receipts Over/(Under) Disbursements	<u>48,824</u>	<u>(8,999)</u>	<u>(48,738)</u>	<u>(8,913)</u>
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets	2,950	0	0	2,950
Transfers-in	0	0	44,358	44,358
Transfers-out	(44,358)	0	0	(44,358)
Total Other Financing Receipts/ Disbursements	<u>(41,408)</u>	<u>0</u>	<u>44,358</u>	<u>2,950</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	7,416	(8,999)	(4,380)	(5,963)
Fund Cash Balances, January 1,	<u>12,922</u>	<u>19,372</u>	<u>4,380</u>	<u>36,674</u>
Fund Cash Balances, December 31,	<u>\$ 20,338</u>	<u>\$ 10,373</u>	<u>\$ 0</u>	<u>\$ 30,711</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued 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:

General Fund:

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds:

These funds are used to account for proceeds from specific sources (other than from 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 money for constructing, maintaining and repairing Village streets.

State Highway Improvement Fund – This fund receives intergovernmental shared revenue to maintain, repair, and improve the state highway.

Debt Service Funds:

This debt service fund is used to accumulate resources for the payment of bond and note indebtedness. The Village had the following significant debt service fund.

Bond Retirement Fund – This fund receives property taxes for a recreational site acquisition and improvement bond levy.

E. Budgetary Process

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

F. 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. Unencumbered appropriations lapse at year-end.

G. Estimate Resources

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

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Encumbrances

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

I. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments.

The carrying amount of cash and investments at December 31 was as follows:

	2006	2005
Demand Deposits	\$ 35,382	\$ 30,711
Totals	<u>\$ 35,382</u>	<u>\$ 30,711</u>

Deposits:

Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

VILLAGE OF WAYNE LAKES
DARKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2006 was as follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$ 118,397	\$ 134,563	\$ 16,166
Special Revenue	50,792	39,791	(11,001)
Debt Service	68,000	66,381	(1,619)
Total	<u>\$ 237,189</u>	<u>\$ 240,735</u>	<u>\$ 3,546</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$ 131,102	\$ 139,562	\$ (8,460)
Special Revenue	51,600	30,121	21,479
Debt Service	68,000	66,381	1,619
Total	<u>\$ 250,702</u>	<u>\$ 236,064</u>	<u>\$ 14,638</u>

Budgetary activity for the year ending December 31, 2005 was as follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$ 105,022	\$ 138,480	\$ 33,458
Special Revenue	29,574	37,847	8,273
Debt Service	65,000	59,520	(5,480)
Total	<u>\$ 199,596</u>	<u>\$ 235,847</u>	<u>\$ 36,251</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$ 175,810	\$ 131,064	\$ 44,746
Special Revenue	46,503	46,846	(343)
Debt Service	63,000	63,900	(900)
Total	<u>\$ 285,313</u>	<u>\$ 241,810</u>	<u>\$ 43,503</u>

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

3. BUDGETARY

Contrary to Ohio law, expenditures exceeded appropriations in the General Fund in 2006, and in the Street Maintenance & Repair and Bond funds in 2005, by \$8,460, \$343 and \$900, respectively.

Contrary to Ohio law, appropriations exceeded estimated resources in 2005 in the General and State Highway funds by \$57,866 and \$4,385, respectively.

Also, actual receipts were less than estimated resources in 2006 in the Street Maintenance & Repair and Bond funds by \$11,398 and \$1,619, respectively. In 2005, the Bond fund by \$5,480.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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, 2006 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$390,000	4.4%
Tractor Master Lease-Purchase	<u>8,114</u>	4.3%
Total	<u>\$398,114</u>	

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

6. DEBT (continued)

General Obligation Bonds

General Obligation Bonds 1999 A & B were issued to retire the Final Judgment Bonds and General Obligation Bonds. Those bonds were originally issued to pay for recreational site acquisition and improvement. The loan principal is repaid in annual installments with interest being paid in semi-annual installments. The Final Judgment Bonds were issued to pay for assessed costs and expenses in a court case. The principal and interest are paid in annual installments.

Tractor Master Lease-Purchased

Payable in monthly installments over a 5-year term at a rate of 4.3%. Final payment due April 2008.

Amortization of the long-term debt, including interest, is scheduled as follows:

Year Ending December 31	General Obligation Bonds	Tractor Master Lease
2007	\$ 69,050	\$ 6,267
2008	66,800	2,052
2009	64,500	0
2010	67,150	0
2011	29,510	0
2012 – 2017	<u>196,150</u>	<u>0</u>
Total	<u>\$ 493,160</u>	<u>\$ 8,319</u>

6. RETIREMENT SYSTEMS

The Fiscal Officer was covered by the Social Security System. This plan provides retirement benefits, including post retirement health care, and survivor and disability benefits to participants as prescribed by the United States Code. The Fiscal Officer contributed 6.2% of her gross salary and the Village contributed an amount equal to 6.2% of the employee's gross salary.

The Village officials and employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

For 2006 and 2005, OPERS members contributed 9% and 8.5% respectively, of their gross salaries and the Village contributed an amount equaling 13.7% and 13.55% of participants' gross salaries for 2006 and 2005, respectively. The Village has paid all contributions required through December 31, 2006.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

7. RISK MANAGEMENT

The Village is insured through the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 460 governmental entity members providing formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides, Property, Liability, Wrongful Acts, Law Enforcement, Automobile, Bond, Crime, Inland Marine, Fire Vehicle RC, EDP, Governmental Medical Liability, Employee Benefits Liability, and Automobile Liability, and other coverage's. 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 Plans with A-VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% of \$100,000 of property losses. Individual members are only responsible for their self-retention (deductible) amounts, which may vary from member to member.

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

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

<u>Type</u>	<u>Coverage</u>
Umbrella	\$2,000,000
General Liability	2,000,000
Buildings & Personal Property	497,132
Inland Marine	54,936
Automobile	17,000

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets liabilities and retained earnings at December 31, 2006 and 2005 (latest available):

	<u>2006</u>	<u>2005</u>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

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

**MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

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

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

To the Village Council:

We have audited the financial statements of the Village of Wayne Lakes, Darke County, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated December 5, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits 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.

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 in the accompanying schedule of findings to be a significant deficiency in internal control over the financial reporting: 2006-002 through 2006-006.

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.

Internal Control Over Financial Reporting, (continued)

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 internal control deficiencies that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-006 is a material weakness.

We noted certain internal control matters that we reported to the Village's management in a separate letter dated December 5, 2007.

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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings as item 2006-001 through 2006-005.

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 December 5, 2007.

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

Manning & Associates CPAs, LLC
Dayton, Ohio

December 5, 2007

VILLAGE OF WAYNE LAKES
DARKE COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Ohio Rev. Code Section 5705.41 (D) (1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required or the order or contract 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 encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate – This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time of completing the certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrances, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

In 2006, sixty transactions and in 2005, ten transactions of non-payroll expenditures did not include prior certification of the availability of funds by the Fiscal Officer nor was there any evidence of a “Then and Now” certificate being used by the Clerk.

We recommend that the Fiscal Officer review obligations to help ensure amounts are properly certified. Furthermore, we recommend the Fiscal Officer attach a certificate for every obligation certifying the Village has the ability to meet obligation incurred.

Response: Fiscal Officer will review PO’s and use of proper PO’s in future.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-002

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall expend money unless it has been appropriated. In 2005 and 2006, the Village had instances where expenditures exceeded the amounts appropriated:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
2006 - General Fund	\$131,102	\$139,562	(\$8,460)
2005 - Street Mtce & Repair Fund	\$46,503	\$46,846	(\$343)
2005 - Bond A & B	\$63,000	\$63,900	(\$900)

The Village should monitor appropriations and expenditures throughout the year, making amendments to appropriations as needed to comply with the requirement that expenditures cannot exceed the amounts appropriated at the legal level of control. Implementing these procedures will also reduce the risk that the Village expends or certifies as available more resources than were legally appropriated by the Village Council.

Response: Fiscal Officer will monitor budgetary compliance more closely in the future.

FINDING NUMBER 2006-003

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure there from, as certified by the budget commission. 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. The Village had no certificates from the county auditor that appropriations from each fund did not exceed estimated resources.

In addition, the following funds had appropriations in excess of the amounts certified as available by the amended certificate of estimated resources:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
December 31, 2005:			
General Fund	\$117,944	\$175,810	(\$57,866)
State Highway Fund	\$9,115	\$13,500	(\$4,385)

To comply with this section and improve budgetary controls the Village should file their appropriation measures with the county budget commission for certification that the amounts appropriated do not

VILLAGE OF WAYNE LAKES
DARKE COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-003, (continued)

exceed the available resources. In addition, the Certificate of Estimated Resources should be amended on a timely basis to reflect changes in actual or expected revenue and the corresponding appropriations should be amended accordingly.

Response: Fiscal Officer will monitor budgetary compliance more closely in the future.

FINDING NUMBER 2006-004

Failure to File Annual Reports

Ohio Rev. Code Section 117.38 requires each public office to file a financial report for each fiscal year with the Auditor of State within 60 days. It further requires that upon filing the Fiscal Officer shall publish notice in a newspaper of general circulation in the subdivision that the annual financial report has been completed and is available for inspection at the office of the Village.

The Village failed to file the annual report with the Auditor of State for 2006 until October of 2007, which could lead to a penalty assessed by the Auditor of State. Also, there was no indication of a published notice that the annual reports were available for inspection in 2006.

The Village Council Members should develop procedures for monitoring compliance with the annual report filing and publication requirements.

Response: Manual system used, oversight due to forms not received by Fiscal Officer. Future reports will be filed timely via certified mail. Notice will be given to the public when these reports are available for inspection.

FINDING NUMBER 2006-005

Ohio Rev. Code, Section 5705.36 allows subdivisions to request increase/decreased amended certificates upon determination by the Fiscal Officer that the revenue to be collected will be greater/less than the amount in the official certificate of estimated resources.

In 2006, estimated resources exceeded actual receipts in the following funds:

Street Maintenance Fund	\$11,398
Bond A & B Fund	1,619

In 2005, estimated resources exceeded actual receipts in the following funds:

Bond A & B Fund	\$5,480
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VILLAGE OF WAYNE LAKES
DARKE COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-005, (continued)

The Fiscal Officer should monitor the financial activities of the Village and request amended certificates when actual receipts will be less than the amounts estimated. This analysis should also encompass a comparison of appropriations versus available resources after amendment.

Response: The Fiscal Officer will monitor budgetary compliance more closely.

FINDING NUMBER 2006-006

Ohio Rev. Code, Section 733.28, requires the Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village did not properly classify receipt and disbursement transactions. An accurate record was not maintained for all monies received by the Village. The following misstatements were noted:

- A. Fishing permit sales were recorded at the net amount. Fishing expenses were deducted from the total sales collection and recorded on the financial statements at the net amount received. The Village should record the gross revenue and show the corresponding expenditure as a memo transaction.
- B. Improper posting of revenues on the annual report; sale of assets was recorded as miscellaneous income instead of sale of assets.
- C. Fish to stock lake were paid by the street maintenance & repair fund for both 2006 and 2005.
- D. Expenditure items were not properly classified on the annual financial reports. Debt payments were posted to contract services in the street maintenance fund in 2005 and 2006.
- E. The cash journal did not always agree with the receipts and appropriation ledgers throughout the audit periods.
- F. Budgetary information presented for 2006 and 2005 on the annual financial report did not agree with the appropriation measure and estimated resources file with the County Auditor. The Village should report the amounts certified by the County Auditor. These financial statements have been adjusted to reflect the approved amounts.

All of these conditions resulted in inaccurate accounting records.

The Fiscal Officer should post all receipts in accordance with Chapter 117-5 of the Administrative Code.

The annual financial report should then be completed accurately to ensure that the Village's financial activity is being properly reported.

VILLAGE OF WAYNE LAKES
DARKE COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-006, (continued)

We also recommend the Village reconcile the cash journal to the bank, the receipt ledger, and the appropriation ledger on a monthly basis. Implementation of these procedures will add a substantial measure of control to the receipt and expenditure process, as well as provide assurance that the activity is properly handled and fairly presented on the Village's ledgers and financial reports. The Village has made these adjustments to their books and the adjustments are reflected in the financial statements.

Response: The Village will review its current accounting methods and implement changes where needed.

**VILLAGE OF WAYNE LAKES
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2006 AND 2005**

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED, PARTIALLY CORRECTED; SIGNIFICANTLY DIFFERENT CORRECTIVE ACTION TAKEN; OR FINDING NO LONGER VALID; <i>EXPLAIN:</i>
2004-001	Ohio Rev Code Section 5705.41(D) Failure to certify the availability of funds prior to incurring the obligations.	No	Reissued as 2006-001
2004-002	Ohio Rev Code Section 5705.41(B) Expenditures exceeding the amounts appropriated.	No	Reissued as 2006-002



Mary Taylor, CPA
Auditor of State

VILLAGE OF WAYNE LAKES

DARKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2008**