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Mary Taylor, CPA Auditor of State

Village of Waynesfield Auglaize County 300 North Westminster Street P.O. Box 128 Waynesfield, Ohio 45896

To the Members of 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 Village 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 Jaylor

Mary Taylor, CPA Auditor of State

August 25, 2008

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Mary Taylor, CPA Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Waynesfield Auglaize County 300 North Westminster Street P.O. Box 128 Waynesfield, Ohio 45896

To the Members of Council:

We have audited the accompanying financial statements of the Village of Waynesfield, Auglaize 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.101 requires 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 requires 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 governments 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.

Village of Waynesfield Auglaize County Independent Accountants' Report Page 2

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 and reserves for encumbrances of the Village of Waynesfield, Auglaize 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.

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.

During 2006, the Village changed its financial statement presentation methods to conform to presentation methods the Auditor of State prescribes or permits.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 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 Jaylo

Mary Taylor, CPA Auditor of State

August 25, 2008

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

	Governmental Fund Types		
	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$45,760		\$45,760
Intergovernmental	124,077	\$36,475	160,552
Special Assessments	135		135
Charges for Services	200		200
Fines, Licenses and Permits	30		30
Earnings on Investments	14,712	2,215	16,927
Miscellaneous	13,300		13,300
Total Cash Receipts	198,214	38,690	236,904
Cash Disbursements: Current:			
Security of Persons and Property	67,542		67,542
Public Health Services	29		29
Leisure Time Activities	2,617		2,617
Transportation	2,579	18,972	21,551
General Government	116,643		116,643
Capital Outlay	34,326		34,326
Total Cash Disbursements	223,736	18,972	242,708
Total Receipts Over/(Under) Disbursements	(25,522)	19,718	(5,804)
Fund Cash Balances, January 1	91,678	107,537	199,215
Fund Cash Balances, December 31	\$66,156	\$127,255	\$193,411
Reserve for Encumbrances, December 31	\$3,619	\$3,129	\$6,748

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

	Proprietary Fund Types	Fiduciary Fund Types	
			Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts:	Enterprise	Agency	
Charges for Services	\$922,788		\$922,788
Miscellaneous	46,017		46,017
Total Operating Cash Receipts	968,805		968,805
Operating Cash Disbursements:			
Personal Services	124,693		124,693
Employee Fringe Benefits	39,679		39,679
Contractual Services	394,362	\$2,092	396,454
Supplies and Materials	85,148	+_,	85,148
Other	6,410		6,410
Total Operating Cash Disbursements	650,292	2,092	652,384
Operating Income/(Loss)	318,513	(2,092)	316,421
Non-Operating Cash Receipts:			
Intergovernmental	463,000		463,000
Other Debt Proceeds	193,479		193,479
Miscellaneous Receipts		2,092	2,092
Total Non-Operating Cash Receipts	656,479	2,092	658,571
Non-Operating Cash Disbursements:			
Capital Outlay	900,963		900,963
Redemption of Principal	16,769		16,769
Interest and Other Fiscal Charges	5,415		5,415
Total Non-Operating Cash Disbursements	923,147		923,147
Excess of Receipts Over Disbursements			
Before Interfund Transfers and Advances	51,845		51,845
Transfers-In	57,279		57,279
Transfers-Out	(57,279)		(57,279)
Net Receipts Over Disbursements	51,845		51,845
Fund Cash Balances, January 1	1,267,724	1	1,267,725
Fund Cash Balances, December 31	\$1,319,569	\$1	\$1,319,570
Reserve for Encumbrances, December 31	\$362,423	\$0	\$362,423

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		
	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$44,479		\$44,479
Intergovernmental	88,874	\$37,417	126,291
Special Assessments	144		144
Charges for Services	350		350
Fines, Licenses and Permits	80		80
Earnings on Investments	11,203	1,464	12,667
Miscellaneous	11,083		11,083
Total Cash Receipts	156,213	38,881	195,094
Cash Disbursements:			
Current:			
Security of Persons and Property	58,387		58,387
Public Health Services	29		29
Leisure Time Activities	3,709		3,709
Transportation	4,100	21,240	25,340
General Government	98,462		98,462
Total Cash Disbursements	164,687	21,240	185,927
Total Receipts Over/(Under) Disbursements	(8,474)	17,641	9,167
Fund Cash Balances, January 1	100,152	89,896	190,048
Fund Cash Balances, December 31	\$91,678	\$107,537	\$199,215
Reserve for Encumbrances, December 31	\$1,208	\$133	\$1,341

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 Types	Fiduciary Fund Types	
	Enterprise	Agency	Totals (Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$881,429		\$881,429
Miscellaneous	15,086		15,086
Total Operating Cash Receipts	896,515		896,515
Operating Cash Disbursements:			
Personal Services	107,504		107,504
Employee Fringe Benefits	35,283		35,283
Contractual Services	389,574	\$1,829	391,403
Supplies and Materials	72,432		72,432
Other	4,910		4,910
Total Operating Cash Disbursements	609,703	1,829	611,532
Operating Income/(Loss)	286,812	(1,829)	284,983
Non-Operating Cash Receipts:			
Miscellaneous Receipts		1,829	1,829
Non-Operating Cash Disbursements:			
Capital Outlay	82,408		82,408
Redemption of Principal	16,597		16,597
Interest and Other Fiscal Charges	5,583		5,583
Total Non-Operating Cash Disbursements	104,588		104,588
Excess of Receipts Over Disbursements			
Before Interfund Transfers and Advances	182,224		182,224
Transfers-In	50,920		50,920
Transfers-Out	(50,920)		(50,920)
Net Receipts Over Disbursements	182,224		182,224
Fund Cash Balances, January 1	1,085,500	1	1,085,501
Fund Cash Balances, December 31	1,267,724	1	1,267,725
Reserve for Encumbrances, December 31	\$65,798	\$0	\$65,798

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 Waynesfield, Auglaize County, as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides police protection; park operations; street repair and maintenance; water, sewer, and electric utilities. Fire and EMT services are provided by Wayne Township.

The Village participates in two joint venture organizations. Note 10 to the financial statements provides further information on these organizations. These organizations are:

The Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5) – created to provide electricity to the Village.

The Municipal Energy Services Agency (MESA) – created to help reduce the cost of providing electricity to the Village.

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's only investments were certificates of deposit which 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:

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 Fund:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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:

Electric Fund - This fund receives charges for services from residents to cover electric service costs.

Water Enterprise Improvement Funds – This fund receives grant and loan proceeds from the Ohio Public Works Commission and Ohio Department of Development (CDBG) to finance water plant construction and other water utility projects. A utility surcharge recorded in this fund will repay these loans.

4. Fiduciary Funds (Agency Funds)

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 proceeds received from the County for the sale of recycled items. These proceeds, less a \$15.00 monthly fee that is kept by the Village, are disbursed to the non-profit organizations that do the Village recycling.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January. 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.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 CASH

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

	2007	2006
Demand deposits	\$1,332,781	\$1,286,940
Certificates of deposit	180,200	180,000
Total deposits	\$1,512,981	\$1,466,940

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts				
Budgeted Actual				
Fund Type	Receipts	Receipts	Variance	
General	\$188,840	\$198,214	\$9,374	
Special Revenue	26,500	38,690	12,190	
Enterprise	1,496,350	1,682,563	186,213	
Fiduciary	2,500	2,092	(408)	
Total	\$1,714,190	\$1,921,559	\$207,369	

2007 Budgeted vs. Actual Budgetary Basis Expenditures				
	Appropriation	Budgetary		
Fund Type	Authority	Expenditures	Variance	
General	\$278,164	\$227,335	\$50,829	
Special Revenue	133,904	22,101	111,803	
Enterprise	2,660,139	1,993,141	666,998	
Fiduciary	2,501	2,092	409	
Total	\$3,074,708	\$2,244,669	\$830,039	

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

3. BUDGETARY ACTIVITY (Continued)

2006 Budgeted vs. Actual Receipts				
Fund Type	Receipts	Receipts	Variance	
General	\$141,099	\$156,213	\$15,114	
Special Revenue	26,500	38,881	12,381	
Enterprise	733,560	947,435	213,875	
Fiduciary	2,500	1,829	(671)	
Total	\$903,659	\$1,144,358	\$240,699	

2006 Budgeted vs. Actual Bu	dgetary Basis Expenditures
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Appropriation	Budgetary	
Authority	Expenditures	Variance
\$235,989	\$165,895	\$70,094
115,983	21,373	94,610
2,097,782	780,089	1,317,693
2,501	1,829	672
\$2,452,255	\$969,186	\$1,483,069
	Authority \$235,989 115,983 2,097,782 2,501	AuthorityExpenditures\$235,989\$165,895115,98321,3732,097,782780,0892,5011,829

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 February. If the property owner elects to pay semiannually, the first half is due February 15. The second half payment is due the following July 15.

Public utilities are also taxed on personal 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, 2007 was as follows.

OPWC Loans for Tower & Well \$174,168 0%	,
OPWC Loan for UV Disinfection 37,800 0%)
OMEGA JV 5 Bond 95,472 5.84%)
Total \$307,440	

During 2003 and 2002, loans were obtained from the Ohio Public Works Commission in the amounts of \$29,981 and \$194,752, respectively, for the constructions of a new water tower and well. Both loans mature together after a period of 20 years.

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

5. DEBT (Continued)

During 2004, a loan was obtained from the Ohio Public Works Commission in the amount of \$43,200 for a Wastewater UV Disinfection improvement project. The Village entered into this debt on August 1, 2004 but the money was not disbursed until January 1, 2005. The final payment to the contractor for the project was not made until July 8, 2005. This is a 0% interest 20 year loan.

The OMEGA JV 5 project consists of governmental entities that joined together to finance a municipal electric generation facility. Bonded debt was issued in the amount of \$153,415,000 for the project. The amount listed above and in the amortization schedule below represents the Village's participant share. The debt will be financed through user charges.

During 2005, a loan was obtained from the Ohio Public Works Commission in the amount of \$297,790 for a new water treatment plant, water line replacements, and new water meter installation. The Village entered into the loan on July 5, 2005 but has not received all of loan proceeds due to the project not being complete as of December 31, 2007. During 2007, the Village received \$193,479 of the loan proceeds. This is a 0% interest 20 year loan and payments will begin January 2009. This amortization schedule for this debt will not be received until the Village receives the remaining balance of the loan.

	OPWC Loan Tank & Well	OPWC Loan UV Disinfection	OMEGA JV5
2008	\$ 11,237	\$ 2,160	\$ 3,556
2009	11,237	2,160	3,752
2010	11,237	2,160	3,972
2011	11,237	2,160	4,164
2012	11,237	2,160	4,388
2013-2017	56,183	10,800	25,824
2018-2022	56,183	10,800	33,688
2023-2025	5,617	5,400	16,128
Total Principal	174,168	37,800	95,472
Interest			52,936
Total Principal and Interest	\$174,168	\$37,800	\$148,408

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

6. RETIREMENT SYSTEM

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.

In September of 2007, the Village dissolved the Board of Public Affairs and created the position of Village Administrator. At that time, the full time police chief went to a part time officer position and a part time village administrator assistant position, altogether working at least a 40 hour work week. The police chief's position was switched from OP&F retirement system to OPERS.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. 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.

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

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village also provides health, life, and dental insurance coverage for all full time employees, the Fiscal Officer, fiscal assistant, and the Mayor through a private carrier.

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. RELATED PARTY TRANSACTIONS

The Village Mayor is the owner of a company from which the Village acquired patches, etc. for the police department uniforms during the year. The Village paid approximately \$103 in 2007 and \$335 in 2006.

10. JOINT VENTURES

A. Ohio Municipal Generation Agency Joint Venture 5 (OMEGA JV5)

The Village of Waynesfield is a Financing Participant with an ownership percentage of 0.08% and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed, or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge, and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2007 Waynesfield as met their debt coverage obligation.

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

10. JOINT VENTURES (Continued)

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default, In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 to 2024.

The Village's net investment to date in OMEGA JV5 was \$7,160 at December 31, 2007. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at <u>www.auditor.state.oh.us</u>.

B. Municipal Energy Services Agency (MESA)

Municipal Energy services Agency ("MESA") was organized by 31 subdivisions of the State of Ohio (the "Participants") on December 31, 1996, pursuant to a Joint Venture Agreement (the "Agreement") under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. As of December 31, 2007, there were 48 Participants in MESA. Its purpose is to provide access to a pool of personnel experienced in planning, engineering, construction, safety training, finance, administration and other aspects of the operations and maintenance of municipal electric and other utility systems. The Participants are members of American Municipal Power-Ohio, Inc. ("AMP-Ohio"). MESA also provides personnel and administrative services to AMP-Ohio, the Ohio Municipal Electric Generation Agency Joint Ventures: 1, 2, 4, 5, and 6 ("OMEGA JVs"), the Ohio Municipal Electric Association ("OMEA") and the Ohio Public Power Educational Institute ("OPPEI"). The Agreement continues until December 31, 2006, and thereafter for successive terms of three years so long as at least two participants have not given notice of termination of participation. At December 31, 2007, no notice of termination has been received.

11. UTILITY RECEIVABLE FROM THE MAYOR

As of December 31, 2007, the Mayor of the Village of Waynesfield had delinquent utility accounts in the cumulative total of \$3,415. The Mayor has singed a promissory note with the Village requiring him to make monthly payments of \$100 on the delinquent accounts until the note is paid in full.

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

12. SUBSEQUENT EVENTS

On November 26, 2007, Council adopted Ordinance 07-8-2 to enact a 1% village income tax effective January 1, 2008.

Planned for 2008, the Village will make improvements to South Westminster Street at an approximate cost of \$900,000. The project will consist of new water lines, storm sewers, sidewalks, curbs and gutters. Funding for this project would come from the Ohio Public Works Commission in the form of a loan for \$320,400 and a grant for \$480,600, along with Community Development Block Grant funds for \$60,000 and Village funds in the amount of \$39,000.



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 Waynesfield Auglaize County 300 North Westminster Street P.O. Box 128 Waynesfield, Ohio 45896

To the Members of Council:

We have audited the financial statements of the Village of Waynesfield, Auglaize County, (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 25, 2008, wherein we noted the Village changed its financial statement presentation methods to conform to presentation methods the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States Of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to provide UAN 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.

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.

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.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402 Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688 www.auditor.state.oh.us Village of Waynesfield Auglaize County Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Page 2

Internal Control Over Financial Reporting (Continued)

Our consideration of 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. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated August 25, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

Mary Jaylo

Mary Taylor, CPA Auditor of State

August 25, 2008





VILLAGE OF WAYNESFIELD

AUGLAIZE 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 Babbett

CLERK OF THE BUREAU

CERTIFIED SEPTEMBER 18, 2008

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