



Dave Yost • Auditor of State

**Village of Waynesville**  
Warren County

**Fiscal Emergency Termination**

**Local Government Services Section**



**Village of Waynesville, Warren County**

**Fiscal Emergency Termination**

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Appendix A  
Village of Waynesville Financial Forecast  
For the Years Ending December 31, 2014 through December 31, 2018

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# Dave Yost • Auditor of State

## CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the Village of Waynesville, the Auditor of State performed an analysis of the Village of Waynesville to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the Village of Waynesville no longer meets the fiscal emergency conditions set forth in Section 118.03 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the Village of Waynesville and its role in the operation of the Village of Waynesville is terminated as of April 22, 2014.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Dave Stubbs, Mayor of the Village of Waynesville; Sandy Stemple, President of Village Council; John Kasich, Governor; Timothy Keen, Director of the Office of Budget and Management; Josh Mandel, Treasurer of State; Jon Husted, Secretary of State; and Nick Nelson, Warren County Auditor.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Section 118.27(A)(2) of the Revised Code requires the Auditor of State to monitor the progress of implementation and exercise authority under this section and Chapter 117 of the Revised Code to secure full implementation within two years.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST  
Auditor of State

April 22, 2014

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**Village of Waynesville, Warren County**

**Report on the Termination of the Village of Waynesville  
Financial Planning and Supervision Commission**

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**Report on the Termination of the Waynesville Financial Planning and Supervision Commission**

At the request of the Financial Planning and Supervision Commission (the Commission), of the Village of Waynesville, Warren County, Ohio, as provided by Section 118.27(B) of the Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Revised Code, should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter, shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to section 118.04 of the Revised Code, and no new fiscal emergency conditions have occurred...; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”

Results of our work under section 118.27(A) of the Revised Code, are as follows:

Pages four through thirteen of the report indicate that the Village has effectively implemented or is in the process of implementing corrections to its financial accounting and reporting system in accordance with section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under section 118.04 of the Revised Code. This analysis can be found beginning on page fourteen.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with section 118.06 of the Revised Code. Specific conclusions can be found on page nineteen.

We examined and issued a non-adverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated. The Village has not completed its implementation of an effective financial accounting and reporting system; therefore, the Auditor of State will monitor the Village to ensure full implementation of the remaining items within two years.

## Village of Waynesville, Warren County

### Report on the Termination of the Village of Waynesville Financial Planning and Supervision Commission

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It is understood that this report's determination is for the use of the Financial Planning and Supervision Commission of the Village of Waynesville, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the Village of Waynesville, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

#### **Section 1 - Financial Accounting and Reporting System**

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of Waynesville (the Village) and issued a Report on Accounting Methods, dated May 6, 2010. The report identified areas where the Village's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report on Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct these issues identified in the Report on Accounting Methods. A summary of each areas of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

#### **Budgetary System:**

##### Auditor of State Comment from Report on Accounting Methods

No appropriation measure is effective until the Warren County Auditor files a certificate that the total appropriations from each fund do not exceed the total official or amended official certificate of estimated resources. The Village should ensure that this certificate is received from the Warren County Auditor in a timely manner so that obligations are not authorized against appropriations before they actually go into effect.

##### Implemented

The Village received the certificate that the total appropriations from each fund do not exceed the total official or amended official certificate of estimated resources from the Warren County Auditor. The Finance Director entered the supplemental appropriation changes in the computer system after the certificate was received.

##### Auditor of State Comment from Report on Accounting Methods

During 2008, the Village had deficit fund balances contrary to Section 5705.10, Revised Code. The Finance Director should review the available fund balance in addition to the appropriations to ensure sufficient cash will exist in the fund when the obligation comes due.

## Village of Waynesville, Warren County

### Report on the Termination of the Village of Waynesville Financial Planning and Supervision Commission

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#### Implemented

All funds of the Village are positive. The Finance Director reviews the available fund balance in addition to the appropriations to ensure that sufficient cash will exist in the fund when the obligation comes due. Disbursements are made only if there is sufficient cash in the appropriate fund.

#### Auditor of State Comment from Report on Accounting Methods

Appropriations exceeded estimated resources in the Street Maintenance and Repair and the Police Levy Special Revenue Funds contrary to Section 5705.39, Revised Code. The Finance Director should compare appropriations to estimated resources to determine if an appropriation request will be within estimated resources.

#### Implemented

Appropriations did not exceed estimated resources in the Street Maintenance and Repair or the Police Levy Special Revenue Funds. The Finance Director is comparing appropriations to estimated resources and determining if an appropriation request is within estimated resources. The Finance Director prepares a comparison of appropriations to estimated resources for the funds affected by supplemental appropriations.

#### Auditor of State Comment from Report on Accounting Methods

The Village Manager did not prepare a capital improvement plan for 2008 that fulfills the requirements set forth in the Village Charter. The Village Manager should prepare a capital improvement plan according to the requirements outlined in the Village Charter and submit it to Council prior to the adoption of the annual budget.

#### Implemented

The Village Manager has prepared a capital improvement plan according to the requirements outlined in the Village Charter and submitted it to Council prior to the adoption of the annual budget. The Village Manager submitted and Council adopted the capital improvement plan on November 18, 2013.

### **Accounting Journals and Ledgers**

#### Auditor of State Comment from Report on Accounting Methods

The Village should develop, adopt, and implement a written policy that identifies the process and frequency by which the computer systems utilized by the Village should be backed up.

#### Implemented

The Village developed, adopted, and has implemented a written policy that identifies the process and frequency by which the computer systems utilized by the Village will be backed up. The Village has designated a staff person responsible for performing the backups. The Village backs up the utility billing, finance, and mayor's court system data daily and monthly. Backup hard drives are stored in a fireproof safe at the Village.

## Village of Waynesville, Warren County

### Report on the Termination of the Village of Waynesville Financial Planning and Supervision Commission

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#### Receipt Transactions

##### Auditor of State Comment from Report on Accounting Methods

##### Finance Director's Office

Although the Finance Director posts all receipts, she does not write a pay-in order for every transaction posted to the accounting system. The Finance Director should write a pay-in order for every receipt transaction posted to the accounting system which contains account codes and amounts posted.

##### Implemented

The Finance Director writes a pay-in order for every receipt transaction posted to the accounting system which contains account codes and amounts posted.

##### Utilities Department

##### Auditor of State Comment from Report on Accounting Methods

The Utilities Billing Supervisor has the sole responsibility of creating and mailing out bills to customers each month, collecting payments, and dealing with delinquencies. The Utilities Billing Supervisor should perform a reconciliation of billings and collections to accounts receivable for each monthly billing cycle and the Finance Director should review and sign it. This reconciliation documents all transactions, including adjustments posted to the system.

##### Implemented

The Utilities Billing Clerk prints and reviews a reconciliation of billings and collections to accounts receivable for each monthly billing cycle. This reconciliation, a trial balance report, documents the previous month's balances, billings and collections that occurred during the month, including adjustments posted to the system, and the ending balances at the end of the month. All adjustments to customer accounts are reviewed and signed by the Village Manager. The Utilities Billing Clerk prints the trial balance report from the computer system and verifies that the information is correct and reconciles to other reports printed from the system along with a list of adjustments to customer accounts that has been approved by the Village Manager. Once the Utilities Billing Clerk completes the monthly review, the Finance Director also reviews the information and signs the trial balance.

##### Auditor of State Comment from Report on Accounting Methods

The Utilities Billing Supervisor makes adjustments to customers' bills and posts all adjustments to the billing software. There is also no oversight for the adjustments. The Village Manager or Finance Director should approve all adjustments before they are posted to the system.

##### Implemented

The Village Manager approves all adjustments before they are posted to the system. The Utilities Billing Clerk keeps a handwritten list of adjustments made to customers' accounts and the list is reviewed and signed by the Village Manager. After the adjustments are posted, the Village Manager also signs the trial balance to indicate that they have verified the handwritten list agrees to the adjustments actually posted to the system.

## Village of Waynesville, Warren County

### Report on the Termination of the Village of Waynesville Financial Planning and Supervision Commission

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#### Auditor of State Comment from Report on Accounting Methods

Receipts are not always deposited within 24 hours as required by the Revised Code. The Utilities Billing Supervisor should deposit Village receipts within 24 hours of collection, unless a policy is adopted by Council to allow the Village to hold the money for up to three business days after collection for the daily receipts that are under \$1,000.

#### Implemented

Council has adopted a policy to allow the Village to hold the money for up to three business days after collection for the daily receipts that are under \$1,000. The Utilities Billing supervisor is depositing monies in accordance with the policy.

#### Mayor's Court

#### Auditor of State Comment from Report on Accounting Methods

Currently, no one reviews and approves work performed by the Mayor's Court Clerk. The Village Law Director should review the Village Charter and sections of the Revised Code pertaining to the Mayor's Court and provide a legal opinion as to who is the person responsible for managerial oversight of the Mayor's Court. The person determined to be responsible for oversight of the Mayor's Court should review and approve the Mayor's Court Clerk's work.

#### Implemented

The Village Law Director has reviewed the Village Charter and sections of the Revised Code pertaining to the Mayor's Court and has issued a legal opinion that the Village Manager is responsible for managerial oversight of the Mayor's Court. The Village Manager has designated this responsibility to the Finance Director who has been reviewing and signing off on the Mayor's Court Clerk's work.

#### Auditor of State Comment from Report on Accounting Methods

The Mayor's Court does not have a policy authorizing payment plans for fines. The person responsible for oversight of the Mayor's Court should develop, adopt, and implement a policy that authorizes payment plans for the Mayor's Court.

#### Implemented

The Village has developed and Council has adopted a policy that authorizes payment plans for the Mayor's Court. The Village implemented a policy which details the procedures for a payment plan for fines. The policy establishes a minimum monthly payment requirement as well as a one-time payment plan fee. It also requires the payment plan to be signed by the payee and placed on file with the Mayor's Court Clerk. If payments are not made by payment dates established, the Village can issue a warrant.

**Village of Waynesville, Warren County**

**Report on the Termination of the Village of Waynesville  
Financial Planning and Supervision Commission**

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Auditor of State Comment from Report on Accounting Methods

When a ticket book is issued to a police officer, the police officer responsible for entering the information into the Law Records Maintenance System and issuing ticket books to the police officers should print the report from the system listing the tickets issued by the officer from the ticket book he or she just completed. The report should be checked to see that all tickets that have been issued have either been processed in the court or have been voided. The report should be signed by the officer checking the disposition of the tickets.

In process

The Village is still developing a process to verify that all issued tickets have either been processed in the court or have been voided and whom is going to review and sign off on the verification.

Auditor of State Comment from Report on Accounting Methods

The Mayor's Court does not have a policy for collecting delinquent fines. The person responsible for oversight of the Mayor's Court should develop, adopt, and implement a policy regarding the collection process of delinquencies in the Mayor's Court.

Implemented

The Village has developed and Council has adopted a policy regarding the collection process of delinquencies in the Mayor's Court. The Village has implemented a policy which states that individuals are given a Failure to Appear Notice that advises they failed to appear or pay and gives them 72 hours to contact the court. A payment plan can be set up at this time if needed or if no payment made, the Village will issue a warrant against the individual.

Auditor of State Comment from Report on Accounting Methods

Receipts are not always deposited within 24 hours as required by the Revised Code. The Mayor's Court Clerk should deposit village receipts within 24 hours of collection, unless a policy is adopted by Council to allow the Mayor's Court Clerk to hold the money for up to three business days after collection for the daily receipts that are under \$1,000.

Implemented

Council has adopted a policy to allow the Village to hold the money for up to three business days after collection for the daily receipts that are under \$1,000. The Mayors Court Clerk is depositing monies in accordance with the policy.

## Village of Waynesville, Warren County

### Report on the Termination of the Village of Waynesville Financial Planning and Supervision Commission

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#### Purchasing Process

##### Auditor of State Comment from Report on Accounting Methods

Council has not passed a resolution setting the amount of blanket purchase orders as required by Section 5705.41(D) of the Revised Code. Blanket purchase orders used without Council having set a limit are not valid because the Village does not have the authority to use blanket purchase orders. Council should establish, by resolution, the maximum amount for blanket purchase orders to be issued by the Finance Director.

#### Implemented

Council has passed a resolution establishing the maximum amount for blanket purchase orders to be issued by the Finance Director as required by Section 5705.41(D) of the Revised Code.

##### Auditor of State Comment from Report on Accounting Methods

The purchasing policy authorizes the Village Manager to approve purchases up to \$15,000 without Council approval. Ordinance 2007-027 authorizes the Village Manager to approve purchases up to \$25,000 without Council approval. Therefore, Council should revise the Village's purchasing policy to reflect the latest legislation regarding the Village Manger's authority to approve purchases.

#### Implemented

Council has revised the Village's purchasing policy to reflect that the Village Manager has the authority to approve purchases up to \$25,000 without Council approval.

##### Auditor of State Comment from Report on Accounting Methods

The Village does not use purchase requisitions for some purchases such as utilities. Council should update the purchasing policy to indicate which types of expenditures that requisition forms will be used.

#### Implemented

Council has updated the purchasing policy to indicate which types of expenditures that requisition forms will be used for. The policy requires all departments to provide purchase requisitions for all types of goods and services.

##### Auditor of State Comment from Report on Accounting Methods

There are instances in which purchase orders are issued after obligations are incurred. Although then and now certificates are sometimes used in these instances, they are not always issued for purchases that were not authorized and encumbered at the time the obligation was incurred. The Finance Director should ensure that a proper certification exists for all purchase obligations.

## Village of Waynesville, Warren County

### Report on the Termination of the Village of Waynesville Financial Planning and Supervision Commission

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#### Implemented

The Finance Director is ensuring that a proper certification exists for all purchase obligations. Then and now certificates are being utilized when appropriate.

#### Auditor of State Comment from Report on Accounting Methods

The Village does not have a policy establishing guidelines for credit card usage. The Village should develop a policy for credit card usage. The policy should, at a minimum, identify authorized users, allowable purchases, reporting of transactions made, and monitoring of the use by appropriate levels of management.

#### Implemented

The Village has developed a policy for credit card usage including identifying authorized users, allowable purchases, reporting of transactions made, and monitoring of the use by appropriate levels of management. The card must be signed out of the Finance Director's office and employees must obtain and file receipts from each purchase with the Finance Director within one business day. The Finance Director review's and compares purchases on the credit card statement to the receipts turned in by Village employees. If the Finance Director cannot verify a purchase was necessary and for official use, the issue is then submitted to the Village Manager for review. If the Village Manager determines the purchase was not appropriate, the card user must provide a credit receipt showing items have been returned or a personal check must be issued to the Village for the full amount of that purchase.

#### Cash Disbursements

#### Auditor of State Comment from Report on Accounting Methods

Disbursements are made from funds without a cash balance sufficient to cover the amount of the obligation. Revised Code Section 5705.10(H) provides that money paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative balance indicates that money from one fund was used to cover the expenses of another fund. The Village should only make disbursements from funds which have adequate cash balances to cover the obligation, or advances should be made.

#### Implemented:

The Village only makes disbursements from funds which have adequate cash balances to cover the obligation and advances are made when deemed appropriate.

#### Auditor of State Comment from Report on Accounting Methods

The Finance Director is responsible for the approval of purchase orders, the processing of invoices, the assembly of voucher packets, and the preparation and signing of the checks. Until clerical staff is available to help with the payment of invoices, the Village Manager should review vouchers to ensure they are complete and that the check agrees with the voucher. He should indicate his approval by signing the voucher.

## Village of Waynesville, Warren County

### Report on the Termination of the Village of Waynesville Financial Planning and Supervision Commission

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#### Implemented

The Village has employed a segregation of duties for the approval of purchase orders, the processing of invoices, the assembly of voucher packets, and the preparation and signing of the checks between the Finance Director, the Village Manager, and the Mayors Court Clerk. The Village Manager signs the purchase order request while the Finance Director signs the purchase orders. Invoices are approved by department heads or the Village Manager for payment. The Finance Director inputs the invoices for payment. The Mayor's Court Clerk matches the invoices to payments. Then both the Finance Director and Mayor's Court Clerk sign the checks for payment. Also, the Finance Director scans every invoice and emails each council member. The scanned invoice includes the purchase order number and the fund to be paid from.

#### **Inventory of Capital Assets**

##### Auditor of State Comment from Report on Accounting Methods

The Village does not maintain an inventory of capital assets. Without an inventory of capital assets, the Village is unable to determine if there is adequate insurance coverage, whether assets have been lost or stolen, whether idle assets exist that can be sold to generate additional revenue, and whether assets are used in the most efficient manner. The Village should develop an inventory of all capital assets and update it annually. Each asset should be assigned a tag number.

#### Implemented

The Village has developed an inventory policy and system for identifying and tracking all capital assets. The Village has implemented a threshold of \$1,000 and a useful life of 5 years or more to qualify as a capital asset. No tag numbers are used. For vehicles, the Vehicle Identification Number is utilized as a tag number.

##### Auditor of State Comment from Report on Accounting Methods

The Village should adopt and implement policies and procedures to account for capital assets.

#### Implemented

The Village has adopted and implemented policies and procedures to account for capital assets. The policy states criteria of capital asset, tracking of assets, inventory of assets, and what is considered improvements and maintenance.

#### **Cash Management and Investing**

##### Auditor of State Comment from Report on Accounting Methods

The investment policy was not signed by all parties conducting investment business with the Village. The investment policy should be signed by all parties with whom the Village conducts investment business as required by Section 135.14(O)(1), Revised Code, and should be filed with the Auditor of State.

## Village of Waynesville, Warren County

### Report on the Termination of the Village of Waynesville Financial Planning and Supervision Commission

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#### Implemented

The investment policy has been signed by all parties with whom the Village conducts investment business as required by Section 135.14(O)(1), Revised Code, and is on file with the Auditor of State.

#### Auditor of State Comment from Report on Accounting Methods:

Funds to pay the payroll expenditures are transferred from the general checking account to the payroll account and then the same amount is transferred to PAYCOR to be distributed to the employees. The payroll bank account is carrying a large balance from excessive transfers. The Finance Director should move the remaining balance to the general checking account. The monies should be receipted into the funds from which they were paid.

#### Implemented

The Finance Director has moved the remaining balance in the payroll account to the general checking account.

#### Auditor of State Comment from Report on Accounting Methods

The Mayor's Court has a written policy for the receiving, recording, and reporting of all receipts and disbursements by the Court. However, the policy is not being followed on several key points. In addition, the Village Charter requires the Mayor's Court Clerk to distribute all monies to the proper government agencies contrary to the policy which says the Finance Director shall distribute the checks. The policy, Charter requirements, and the requirements in State statute covering the Mayor's Court and distribution of fines and costs should be reviewed with legal counsel and appropriate changes should be made to the policy and the Charter after the review.

#### Implemented

Legal counsel reviewed the Mayors Court policy, the Charter requirements and the requirements in State statute covering the Mayors Court and distribution of fines and costs. Based on legal counsel's recommendations, the Village Council made appropriate changes and adopted a revised policy that now follows both the Village Charter and State statute requirements.

#### Auditor of State Comment from Report on Accounting Methods

A reconciliation of the Mayor's Court cashbook is performed monthly; however, it is not reconciled to zero. The Mayor's Court Clerk should identify all reconciling items between the cashbook balance and the bank statement balance on the monthly reconciliation. The person responsible for oversight of the Mayor's Court should review and approve the monthly bank reconciliation for Mayor's Court.

#### Implemented

The Mayor's Court Clerk is identifying any and all reconciling items between the cashbook balance and the bank statement balance on the monthly reconciliation. The Finance Director reviews and approves the monthly bank reconciliation for Mayor's Court.

## Village of Waynesville, Warren County

### Report on the Termination of the Village of Waynesville Financial Planning and Supervision Commission

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#### Auditor of State Comment from Report on Accounting Methods

The Mayor's Court Clerk and the Utilities Department have change funds. A formal authorization and resolution on the existence and use of the change funds should be approved by Council.

#### Implemented

A formal authorization and resolution on the existence and use of the change funds has been approved by Council.

#### **Financial Reporting**

#### Auditor of State Comment from Report on Accounting Methods

Council has not defined the type or frequency of the financial information to be reported to Council. Council should document the type and frequency of financial information to be reported to it. Council should acknowledge in the minutes the financial reports it receives from the Finance Director.

#### Implemented

Council has requested, but not documented, the type and frequency of financial information to be reported to it. The Finance Committee meets monthly and receives and reviews the packet of financial reports from the Finance Director. The reports presented to the Finance Committee have been requested by Council and include a monthly statement of cash position along with budget vs. actual revenue and expense reports. The packets are discussed in detail at the finance committee meetings. These same packets are also presented to Council during a regular monthly meeting and Council acknowledges in the minutes that they have received the packets containing the financial reports.

#### **Audit Report and Management Letters**

The Village Council and Officials receive a compliance and management letter at the conclusion of each annual audit. The letters that accompanied the December 31, 2009 and 2010 audit identified a number of noncompliance issues and material weaknesses as well as recommendations for improving financial record keeping and reporting

The following discussion outlines the compliance issues and material weaknesses that were identified in the audit report.

1. The Village lacked management oversight to ensure the accurate posting of financial activity. Adjustments were posted to the financial statements and the Village ledgers to correct misclassifications and audit adjustments.
2. The Village failed to obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriations and could result in overspending and negative fund balances.
3. Appropriations exceeded estimated resources in several funds.
4. The Village lacks management oversight over their financial statement preparation process.
5. The Village lacked management oversight in the proper presentation and disclosure of budget versus actual statements and do not report amounts from the certified and/or Council approved budgetary documents.

## Village of Waynesville, Warren County

### Report on the Termination of the Village of Waynesville Financial Planning and Supervision Commission

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The audit also outlined a number of recommendations for the Village's consideration including not depositing receipts into the bank account within the timeframe required by the Revised Code, vacation leave that was taken in less than four hour increments contrary to Village policy, leave not being approved timely, and lack of a credit card policy. The Village has addressed some of these issues and is considering measures to address other recommendations. The Village's resolution of these issues and/or recommendations outlined above will be addressed in the Village's next audit. These issues are not issues that would prevent termination of the Financial Planning and Supervision Commission.

#### **Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions**

Under Section 118.27(A)(2) of the Revised Code, the Village shall have corrected or eliminated or have planned and be in the process of good faith implementation of action to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions may have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

#### **Condition One – Default on Any Debt Obligation**

Section 118.03(A)(1) of the Revised Code, defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

A summary of the Village's outstanding debt as of December 31, 2013, is as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Year Issued</u>	<u>Balance at 12/31/2013</u>
OWDA #2566	2.50%	2001	\$1,582,933
OWDA #3235	6.41%	2001	311,921
OWDA #3984	5.01%	2001	150,066
OPWC #CJ08B	0.00%	2000	140,920
Lebanon Citizens National Bank General Obligation Bonds	5.30%	2004	541,000
			<u>\$2,726,840</u>

We reviewed the outstanding indebtedness of the Village as of December 31, 2013. The Village has \$2,726,840 in outstanding debt at December 31, 2013, and had made all debt payments due as of that date.

**Conclusion:** A fiscal emergency condition does not exist under section 118.03(A)(1) of the Revised Code. No default on any obligation for more than thirty days existed at December 31, 2013.

## Village of Waynesville, Warren County

### Report on the Termination of the Village of Waynesville Financial Planning and Supervision Commission

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#### **Condition Two – Payment of All Payroll**

Section 118.03(A)(2) of the Revised Code, defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by law, ordinances, resolutions, or agreements, which failure of payment has continued:

- (a) For more than 30 days after such time for payment, or
- (b) Beyond a period of extension, or beyond the expiration of 90 days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than 30 days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We reviewed the payroll records of the Village as of December 31, 2013. We reviewed Council minutes and ordinances and had discussions with the Finance Director to determine the employees of the Village, pay rates, frequency of payroll, and whether any extensions for the payment of payroll existed. We reviewed the cash journal and electronic fund payments to employees to determine whether Village employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and that fund cash balances were sufficient to cover payroll.

**Conclusion:** A fiscal emergency condition does not exist under section 118.03(A)(2) of the Revised Code as of December 31, 2013. All employees have been paid in amounts and at the times required by ordinance.

#### **Condition Three – Increase in Minimum Tax Levy**

Section 118.03(A)(3) of the Revised Code, defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Warren County Budget Commission whether there had been an increase, pursuant to division (D) of section 5705.31 of the Revised Code, in the minimum levy of the Village for 2012 and 2013 which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Warren County Budget Commission indicated that the Commission had not taken any action for tax year 2012 or 2013 to increase the inside millage of the Village.

**Conclusion:** A fiscal emergency condition does not exist under section 118.03(A)(3) of the Revised Code as of December 31, 2013.

Village of Waynesville, Warren County

Report on the Termination of the Village of Waynesville  
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**Condition Four – Past Due Accounts Payable from the General Fund and all Funds**

Section 118.03(A)(4) of the Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year-end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

A schedule was prepared for all accounts payable as of December 31, 2013, that were due and payable from the general fund, and that had been due and payable for at least thirty days, or to which a penalty had been added for failure to pay as of December 31, 2013, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties. From this amount, we subtracted the year-end fund balance available to pay the outstanding bill. Since the general fund balance available exceeded the accounts payable, no further calculations were necessary.

Schedule I  
General Fund Accounts Payable Over 30 Days Past Due  
Ohio Revised Code Section 118.03(A)(4)  
As of December 31, 2013

	Payables Over 30 Days Past Due	Fund Balance Available	Balance Available in Excess of Payables
General Fund	\$1,172	\$748,180	\$747,008

From the invoices provided to us, a schedule of accounts payable was prepared (as defined above) for all funds which were at least thirty days past due or to which a penalty was added as of December 31, 2013. From this amount, we subtracted the year-end fund balance available to pay such outstanding bills. Since the available fund balance exceeded the accounts payable, no further calculations were necessary.

Village of Waynesville, Warren County

Report on the Termination of the Village of Waynesville  
Financial Planning and Supervision Commission

Schedule II

Accounts Payable From All Funds Over 30 Days Past Due  
Ohio Revised Code Section 118.03(A)(4)  
As of December 31, 2013

Funds	Payables Over 30 Days Past Due	Fund Balance Available	Balance Available In Excess of Payables
General Fund	\$1,172	\$748,180	\$747,008
Policy Levy Fund	1,172	145,829	144,657
Water Fund	4,102	732,202	728,100
Sewer Fund	4,102	1,297,909	1,293,807

Conclusion: Schedules I and II indicate that as of December 31, 2013, a fiscal emergency condition does not exist under section 118.03(A)(4) of the Revised Code.

**Condition Five – Deficit Fund Balances**

Section 118.03(A)(5) of the Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at December 31, 2013, by subtracting all accounts payable and encumbrances from the year-end cash balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code. There were no deficit fund balances at December 31, 2013.

**Condition Six – Treasury Balances**

Section 118.03(A)(6) of the Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village's reconciliation of its bank balance to its cashbook balance as of December 31, 2013, which included subtracting the outstanding checks to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all fund cash balances.

Village of Waynesville, Warren County

Report on the Termination of the Village of Waynesville  
Financial Planning and Supervision Commission

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Schedule III

Treasury Balances  
Ohio Revised Code Section 118.03(A)(6)  
As of December 31, 2013

	Amounts at December 31, 2013
<b>Bank Cash Balances:</b>	
Lebanon Citizens National Bank	\$4,133,100
StarOhio	500,211
<i>Total Bank Cash</i>	<u>4,633,311</u>
<i>Adjustments for:</i>	
Outstanding Checks	(346,047)
<i>Total Treasury Balance</i>	<u>4,287,264</u>
<b>Less: Total Positive Cash Balances</b>	
General	748,180
Street Construction, Maintenance, and Repair	105,526
State Highway Improvement	47,772
Parks and Recreation	81
Federal Grants	64,325
State Grants	20,000
Law Enforcement Trust	2
Permissive Motor Vehicle License Tax	11,561
Drug Enforcement	8,998
Police Levy	145,829
Street Levy	244,658
Permissive Tax	93,400
County Revenue Shared	595
EPA Environmental	2,500
Ohio Water Development	3,250
Water	732,202
Sewer	1,297,910
Storm Sewer Utility	88,644
Utility Deposit	1,885
Water Tower Deposit	78,759
Trash Pickup	66,227
Street Light	14,132
Water Capital Improvement	316,077
Sewer Capital Improvement	194,714
Sidewalk Assesment	37
<i>Total Positive Cash Balances</i>	<u>4,287,264</u>
Treasury Deficiency	<u><u>\$0</u></u>

**Village of Waynesville, Warren County**

**Report on the Termination of the Village of Waynesville  
Financial Planning and Supervision Commission**

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Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of December 31, 2013. The treasury balance less the positive fund cash balance as of December 31, 2013, did not exceed one-sixth of the treasury receipts for the year.

**Section 3 - Financial Plan Objectives**

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. Those objects identified in the financial plan include the following:

1. Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
2. Balance the budgets, avoid future deficits in any fund, and maintain current payment of all accounts;
3. Develop an effective financial accounting and reporting system; and
4. Prepare a financial forecast in accordance with the standards issued by the Auditor of State.

All objects of the financial plan have been met.

**Section 4 - Financial Forecast**

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding fiscal crises in the future. A five-year forecast is required under 118.27(A)(4) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

**DISCLAIMER**

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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**APPENDIX A**

**Village of Waynesville**  
**Warren County**

**Financial Forecast**

**For the Years Ending December 31, 2014 through December 31, 2018**

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# Village of Waynesville - Warren County

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# Dave Yost • Auditor of State

Village Council  
Village of Waynesville  
1400 Lytle Road  
Waynesville, Ohio 45068

Based upon the requirement set forth in section 118.27(A)(4) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statement of revenues, expenditures, and changes in fund balance of the various funds of the Village of Waynesville, for the five years ending December 31, 2018. These statements are presented on the budget basis of accounting used by the Village of Waynesville rather than on generally accepted accounting principles. The Village of Waynesville's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the Village of Waynesville and the Financial Planning and Supervision Commission of Waynesville and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST  
Auditor of State

March 25, 2014

Village of Waynesville, Warren County  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2011, through 2013, Actual  
and Ending December 31, 2014, through 2018, Forecasted

Street Construction, Maintenance, and Repair Fund

	2011 Actual	2012 Actual	2013 Actual
<u>Revenues</u>			
Intergovernmental	\$119,900	\$121,300	\$118,200
Charges for Services	800	2,900	600
Total Revenues	<u>120,700</u>	<u>124,200</u>	<u>118,800</u>
<u>Expenditures</u>			
Transportation			
Personal Services	35,100	62,200	56,800
Contractual Services	4,900	7,400	9,700
Supplies and Materials	7,500	10,100	9,300
Capital Outlay	4,400	0	0
Total Expenditures	<u>51,900</u>	<u>79,700</u>	<u>75,800</u>
Changes in Fund Balance	68,800	44,500	43,000
Fund Balance (Deficit) Beginning of Year	<u>(46,600)</u>	<u>22,200</u>	<u>66,700</u>
Fund Balance End of Year	<u><u>\$22,200</u></u>	<u><u>\$66,700</u></u>	<u><u>\$109,700</u></u>

See Summary of Significant Accounting Policies and Forecast Assumptions

2014 Forecasted	2015 Forecasted	2016 Forecasted	2017 Forecasted	2018 Forecasted
\$115,300	\$112,400	\$109,600	\$106,800	\$104,200
600	600	600	600	600
<u>115,900</u>	<u>113,000</u>	<u>110,200</u>	<u>107,400</u>	<u>104,800</u>
71,300	63,800	66,800	65,800	66,800
8,900	9,400	9,800	10,300	10,800
12,300	9,800	10,100	10,400	10,700
0	0	0	0	0
<u>92,500</u>	<u>83,000</u>	<u>86,700</u>	<u>86,500</u>	<u>88,300</u>
23,400	30,000	23,500	20,900	16,500
<u>109,700</u>	<u>133,100</u>	<u>163,100</u>	<u>186,600</u>	<u>207,500</u>
<u><u>\$133,100</u></u>	<u><u>\$163,100</u></u>	<u><u>\$186,600</u></u>	<u><u>\$207,500</u></u>	<u><u>\$224,000</u></u>

Village of Waynesville, Warren County  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2011, through 2013, Actual  
and Ending December 31, 2014, through 2018, Forecasted

Police Levy Fund

	2011 Actual	2012 Actual	2013 Actual
<u>Revenues</u>			
Property Taxes	\$331,700	\$332,200	\$318,800
Charges for Services	8,300	8,100	9,200
Intergovernmental	86,500	66,700	74,000
Other Revenues	3,000	2,400	5,000
<b>Total Revenues</b>	<b>429,500</b>	<b>409,400</b>	<b>407,000</b>
<u>Expenditures</u>			
Security of Persons and Property - Police			
Personal Services	215,700	240,000	229,800
Contractual Services	36,200	30,200	39,500
Supplies and Materials	28,900	28,300	29,200
Capital Outlay	0	4,000	59,800
Other	0	0	3,400
<b>Total Security of Persons and Property - Police</b>	<b>280,800</b>	<b>302,500</b>	<b>361,700</b>
Debt Service			
Principal	4,800	5,700	6,400
Interest and Fiscal Charges	19,000	18,700	14,200
<b>Total Debt Service</b>	<b>23,800</b>	<b>24,400</b>	<b>20,600</b>
<b>Total Expenditures</b>	<b>304,600</b>	<b>326,900</b>	<b>382,300</b>
<b>Changes in Fund Balance</b>	<b>124,900</b>	<b>82,500</b>	<b>24,700</b>
<b>Fund Balance Beginning of Year</b>	<b>2,000</b>	<b>126,900</b>	<b>209,400</b>
<b>Fund Balance End of Year</b>	<b>\$126,900</b>	<b>\$209,400</b>	<b>\$234,100</b>

See Summary of Significant Accounting Policies and Forecast Assumptions

<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>	<u>2018</u> <u>Forecasted</u>
\$318,900	\$318,900	\$318,900	\$318,900	\$318,900
9,000	9,000	9,000	9,000	9,000
81,200	46,900	46,900	46,900	46,900
1,000	300	300	300	300
<u>410,100</u>	<u>375,100</u>	<u>375,100</u>	<u>375,100</u>	<u>375,100</u>
237,000	242,500	255,400	254,800	256,900
38,300	40,200	42,200	44,300	46,500
29,900	30,900	31,800	32,800	33,800
35,000	0	45,000	0	45,000
3,400	3,400	3,400	3,400	3,400
<u>343,600</u>	<u>317,000</u>	<u>377,800</u>	<u>335,300</u>	<u>385,600</u>
8,000	4,200	0	0	0
19,200	9,500	0	0	0
<u>27,200</u>	<u>13,700</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>370,800</u>	<u>330,700</u>	<u>377,800</u>	<u>335,300</u>	<u>385,600</u>
39,300	44,400	(2,700)	39,800	(10,500)
<u>234,100</u>	<u>273,400</u>	<u>317,800</u>	<u>315,100</u>	<u>354,900</u>
<u>\$273,400</u>	<u>\$317,800</u>	<u>\$315,100</u>	<u>\$354,900</u>	<u>\$344,400</u>

**Village of Waynesville – Warren County**  
**Summary of Significant Accounting Policies and Forecast Assumptions**  
**For the Years Ending December 31, 2014 through 2018**

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**Note 1 – The Village**

The Village of Waynesville (the Village) is located in Warren County, Ohio,. The Village is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under its own charter which provides for a Council/Village Manager form of government. The six-member Council is elected at large for four-year terms. The Mayor is elected to a four-year term. The Council appoints the Village Manager and Finance Director.

On April 15, 2008, the Auditor of State’s office declared the Village of Waynesville to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor, Council President, three individuals whose residency or principal place of business is within the Village, and a designee from both the State Treasurer’s Office and the Office of Budget and Management. This Commission is required to adopt a financial recovery plan for the Village. Once the plan has been adopted, the Village’s discretion is limited in that all financial activity of the Village must be in accordance with the plan.

The Village of Waynesville provides general governmental services, including police protection services and water services. The Village’s departments include administration, street, police, and water. The administration includes the Mayor, Finance Director, Administrator, and Solicitor. The operation of each of these activities is directly controlled by the Village Council through the budgetary process. The administration includes the Village Manager and Finance Director.

**Note 2 – Nature of Presentation**

This financial forecast presents, to the best of the Village’s knowledge and belief, the expected revenues and expenditures and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village’s judgment, as of March 25, 2014, the date of the forecast, the expected conditions, and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances do not occur as expected and those differences may be material.

The forecast presents the funds that are significant to the operations of the Village. For the Village of Waynesville, this consists of the Street Construction, Maintenance and Repair Fund and the Police Levy Fund.

Street Construction, Maintenance and Repair Fund – This fund accounts for 92.5 percent of the State gasoline and motor vehicle registration fees restricted for maintenance of streets within the Village.

Police Levy Fund – This fund accounts for voted property taxes levied, charges for services, and other revenues received to maintain the operational and capital needs of the Village’s police department.

**Village of Waynesville – Warren County**  
**Summary of Significant Accounting Policies and Forecast Assumptions**  
**For the Years Ending December 31, 2014 through 2018**

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**Note 3 – Summary of Significant Accounting Policies**

**A. Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts, disbursements and encumbrances, which is consistent with the budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenues and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**B. Fund Accounting**

The Village maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each fund are as follows:

**Governmental Funds**

**General Fund** – The General Fund is the operating fund of the Village and is used to account for and report all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio law.

**Special Revenue Funds** – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

**Capital Projects Funds** – Capital projects funds are to account for and report resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital assets (other than those financed by enterprise funds).

**Proprietary Funds**

**Enterprise Funds** – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Village’s own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Village of Waynesville – Warren County**  
**Summary of Significant Accounting Policies and Forecast Assumptions**  
**For the Years Ending December 31, 2014 through 2018**

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C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the Village, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriation for the full year is not ready for approval by Village Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

**Note 4 – General Revenue Assumptions – All Funds**

A. Property Taxes

Property tax revenues consist of real property, public utility real and personal property, and prior to 2011, tangible personal property taxes. The Village may request advances from the Warren County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

**Village of Waynesville – Warren County**  
**Summary of Significant Accounting Policies and Forecast Assumptions**  
**For the Years Ending December 31, 2014 through 2018**

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State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”.

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2012 for taxes collected in 2013. A triennial update will be completed in 2015 for taxes collected in 2016. Based on current economic conditions, the Village anticipates its real property assessed valuation to remain approximately the same as 2013. The Village’s assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	2010	2011	2012	2013
Real Property				
Residential and Agricultural	\$43,555,160	\$43,653,520	\$42,093,380	\$42,340,480
Commercial and Industrial	10,068,150	9,660,610	9,004,910	8,959,800
Public Utility Personal Property	791,070	821,030	883,460	973,620
Total Assessed Value	<u>\$54,414,380</u>	<u>\$54,135,160</u>	<u>\$51,981,750</u>	<u>\$52,273,900</u>

The property tax revenues are generated from inside and voted millage receipted into the General Fund, the Street Levy Fund, and Police Levy Fund.

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Fund	Levy Type	Year Renewed	First Year of Collection	Last Year of Collection	Total Rate (Per \$1,000 of Assessed Valuation)
General	Inside Millage	n/a	n/a	n/a	\$1.84
Street Levy	Current Expense	2013	2014	2018	1.00
Police Levy	Current Expense	2013	2014	2018	7.00
Total					<u>\$9.84</u>

Public utility real and personal property taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies.

Real Property – Property values are expected to remain stagnant throughout the forecast period despite an appraisal update scheduled to be completed in 2015 and collected in 2016. Based on information provided by the Warren County Auditor, these revenues are expected to remain relatively unchanged.

**Village of Waynesville – Warren County**  
**Summary of Significant Accounting Policies and Forecast Assumptions**  
**For the Years Ending December 31, 2014 through 2018**

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**B. Intergovernmental Revenue**

Intergovernmental revenues include local government monies and property tax allocations for rollback, homestead, and tangible personal property loss reimbursements. The local government funds are distributed monthly by the State to the Village and by the County Auditor to the Village. The property tax allocations for rollback, homestead, and tangible personal property are received from the State and are based on information provided by the County Auditor.

Beginning in 2006, the State reimbursed the Village for lost revenue due to the phase-out of tangible personal property tax. In the first five years, the Village was fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, the reimbursements are phased-out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the Village is only reimbursed for the difference between the amounts that would have been received under the prior law and amounts actually received as the phase-outs in House Bill 66 are implemented.

In 2011, HB153 accelerates the phase-out of the tangible personal property tax reimbursements by two percentage points per year based on the entity's 2010 tax year reimbursements.

State law grants tax relief in the form of a 10 percent reduction in residential real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the Village for the loss of real property taxes caused by the homestead and rollback tax relief programs.

In tax collection year 2008, the State granted an additional homestead exemption for the first \$25,000 in market value. This exemption increases property tax allocation receipts and decreases general property tax receipts by an equal amount.

In prior years, the State exempted the first \$10,000 in tangible personal property from taxation. In prior years, the State reimbursed the Village for the lost revenue. In 2004, the State began to phase-out the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period was accelerated. The last reimbursement for this exemption was in October 2008.

**Note 5 – Specific Fund Revenue Assumptions**

**A. Street Construction, Maintenance, and Repair Fund**

Intergovernmental - Intergovernmental receipts consist of State gasoline taxes and State motor vehicle license tax fees. These taxes are collected by the State and disbursed to the Village based on several formulas. This revenue source saw a small decrease in 2013 and is expected to decrease throughout the forecast period by minimal amounts due to limited growth expectations for the Village.

**Village of Waynesville – Warren County**  
**Summary of Significant Accounting Policies and Forecast Assumptions**  
**For the Years Ending December 31, 2014 through 2018**

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Charges for Services – The Village received charges for services revenue through special assessment charges that were assessed to property owners for weed control. The Village has an ordinance that details the length of grass not allowable. When a property owner has received notice of grass not being within the parameters of the ordinance, the property owner has ten days to correct the problem or the Village will mow the offender’s grass and send the charge to the County Auditor for assessment on their taxes.

**B. Police Levy Fund**

Property Taxes – The Village receives property tax revenue from a levy renewed by voters in 2013. Property values are expected to remain consistent with prior years throughout the forecast period despite an appraisal update scheduled to be completed in 2015 and collected in 2016.

Charges for Services – The Village provides police protection during the Ohio Sauerkraut Festival that is held within the Village limits each October. The festival committee contracts with the police department each year and reimburses the wages of the employees that provide the police protection. Revenue from these charges for services is expected to remain relatively constant throughout the forecast period.

Intergovernmental Revenue - Intergovernmental revenues not only consist of property tax allocations for rollback, homestead, and tangible personal property loss reimbursements but also a Police COPS grant. The last year grant monies are anticipated to be received in 2014 for the amount of \$34,300. This grant helped to pay a portion of an officer’s salary and benefits.

Other – Other revenue during the historical period includes a yearly reimbursement for bullet proof vest purchases, reimbursement from employees for cell phone use, and worker’s compensation refunds. The Village no longer has Village owned cell phones starting in March, 2014. The Village anticipates reimbursements for bullet proof vests in the forecast period will remain constant.

**Note 6 – General Expenditure Assumptions – All Funds**

**A. Personal Services**

Personal Services include the salaries and wages paid to the employees and elected officials of the Village, employer contributions to the State pension systems, workers’ compensation, insurance benefits (that include health, vision, life and dental), and Medicare. All employees receive their compensation on a bi-weekly basis.

Village Council, by ordinance, sets the salary or hourly rates and other forms of compensation, such as paid leave for employees. The two employees of the Street Department are classified as full-time employees. The Police Department has a Chief and two full-time employees as well as several reserve police officers. All employee base salaries are expected to increase one percent except for those that have not reached the top wage rate established for their title within payroll ordinance. In 2016, the Village will have 27 pays instead of 26 pays.

The Street Department employee’s wages are paid from the Street Construction, Maintenance, and Repair Fund and the Street Levy Fund. The Street Construction, Maintenance and Repair Fund will pay 66.7 percent of wages earned while the Street Levy Fund will pay 33.3 percent of the wages earned.

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Both Street Department employees have reached the maximum wage rates per the payroll ordinance and will only gain the one percent base increase within the forecast period. In 2014, the Village has forecasted a large increase in overtime payments due to the rough winter. For the 2015 through 2018 forecast period, the overtime was projected at an estimate from the historical period.

The salary of the Police Chief is anticipated to increase from \$74,127 in 2013 to \$75,802 in 2014 and is paid fully by the Police Levy Fund. The annual salary of \$75,802 is anticipated to remain the same throughout the forecast period.

The Village has two full-time Patrol Police Officers. One Patrol Police Officer will have an increase from \$13.60/hour in 2013 to \$14.04/hour in 2014. The second Patrol Police Officer will have an increase from \$13.10/hour in 2013 to \$13.49/hour in 2015 to \$14.04/hour in 2016. After their last rate step, the employees will receive the anticipated one percent yearly rate increases.

Seven times a week the Village runs an eight hour Reserve Police Officer shift. The Reserve Police Officer on duty earns \$10/hour. The Village has several reserve officers that share in these shifts.

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits for OPERS are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual covered wages and the Village is required to contribute 14 percent (the maximum) of annual covered wages. Contributions are paid from the funds from which the employees are paid.

The Village contributes to the Ohio Police and Fire Pension Fund (OPFPF), a cost-sharing, multiple-employer defined benefit pension plan. OPFPF provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits for OPFPF are established by Chapter 742 of the Ohio Revised Code. The Police Chief and the Patrol Police Officers are the only full-time employees contributing to OPFPF. Employees are required to contribute 10.75 percent (the maximum) in 2013, 11.50 percent (the maximum) in 2014, and 12.25 percent (the maximum) in 2015 through 2018 of their annual covered wages. The Village is required to contribute 19.5 percent (the maximum) of annual covered wages. Reserve Police Officers contribute to OPERS. The employer portion is not anticipated to increase during the forecast period.

The Village offers all full time employees health care, in which the premium year runs from January through December. The Village currently pays 90 percent of health care premiums. The Village has seen a four and one half percent increase in premiums from 2012 to 2013. Due to the unpredictable nature of health care, a four and one half percent increase in premiums is forecasted each year.

The Village offers dental, vision, and life insurance coverage to all full time employees. The Village currently pays 90 percent of the vision insurance premium and 100 percent of the dental and life insurance premiums. These benefits are not anticipated to increase during the forecast period.

Workers' compensation coverage is provided by the State of Ohio. The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. A slight increase is expected annually.

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**B. Contractual Services**

Contractual services include professional services related to repairs and maintenance of buildings and vehicles, computer system support, property and liability insurance, property tax collection fees, police tickets and summons, utility charges, and cell phone services.

For 2014, the property and liability insurance is anticipated to decrease due to the Village changing providers. A slight increase is expected annually.

Utilities are anticipated to increase four percent each year based on historical trends.

All other contractual services are expected to either remain constant throughout the forecast or will increase slightly.

**C. Supplies and Materials**

Supplies and materials expenditures include office supplies, vehicle fuel, and miscellaneous small items to be used for minor maintenance and repairs. Supplies and materials are anticipated to increase three percent throughout the forecast period except for 2014. In 2014, fuel cost is anticipated to increase due to the overtime work on clearing roads from the rough winter at the beginning of 2014.

**D. Capital Outlay**

The Village has a five year capital improvement plan. Within the capital improvement plan, the only capital outlay expense anticipated for the Police Levy Fund are police cruiser purchases in 2014, 2016, and 2018.

**E. Debt Service**

The only debt that affects the forecasted funds is the General Obligation Bond for the Municipal Building. The Police Levy pays 32 percent of the principal and interest owed yearly.

Year Ending December 31,	Police Levy Portion of Municipal Building Principal	Police Levy Portion of Municipal Building Interest
2014	\$8,000	\$19,200
2015	4,200	9,500
Total	<u>\$12,200</u>	<u>\$28,700</u>

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**Note 7 – Other Funds**

**Sidewalk Assessment Fund**

When declared in fiscal emergency, the Sidewalk Assessment and Historic Preservation Funds also had deficit fund balances. During 2009, transfers were made from the General Fund to eliminate those deficits. No activity has occurred in either fund during the past three years and the Village does not anticipate any activity in these funds during the forecast period.

The Village has several other funds that account for resources that are restricted for specific purposes as well as a General Fund. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

**Note 8 – Pending Litigation**

The Village currently has no pending litigation.



# Dave Yost • Auditor of State

VILLAGE OF WAYNESVILLE

WARREN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
APRIL 22, 2014