



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF WAKEMAN  
HURON COUNTY

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# Mary Taylor, CPA Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Wakeman  
Huron County  
59 Hyde Street, P. O. Box 107  
Wakeman, Ohio 44889-0107

To the Village Council:

We have performed procedures we deemed necessary to the accounts, financial records, files, and reports of the Village of Wakeman, Huron County, (the Village) as of and for the years ended December 31, 2005 and 2004, following Ohio Admin. Code § 117-4-02.

There are reportable findings and conditions as a result of performing these procedures.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under § 117.26 of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

June 21, 2007

**VILLAGE OF WAKEMAN  
HURON COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$160,598	\$62,942	\$223,540
Intergovernmental Receipts	103,778	1,888	105,666
Charges for Services	12		12
Fines, Licenses, and Permits	36,065	283	36,348
Earnings on Investments	3,148	3,471	6,619
Miscellaneous	15,561	3,503	19,064
	<u>319,162</u>	<u>72,087</u>	<u>391,249</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	165,302	16,945	182,247
Public Health Services	1,222		1,222
Leisure Time Activities	21,468		21,468
Community Environment	1,377		1,377
Basic Utility Services	3,449		3,449
Transportation		48,533	48,533
General Government	201,352	10	201,362
	<u>394,170</u>	<u>65,488</u>	<u>459,658</u>
<b>Total Cash Disbursements</b>			
	<u>394,170</u>	<u>65,488</u>	<u>459,658</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(75,008)</u>	<u>6,599</u>	<u>(68,409)</u>
<b>Other Financing Receipts :</b>			
Sale of Bonds or Notes	60,032		60,032
	<u>60,032</u>		<u>60,032</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(14,976)	6,599	(8,377)
Fund Cash Balances, January 1	\$1,630	26,601	28,231
	<u>\$1,630</u>	<u>26,601</u>	<u>28,231</u>
<b>Fund Cash Balances, December 31</b>	<u><b>(\$13,346)</b></u>	<u><b>\$33,200</b></u>	<u><b>\$19,854</b></u>

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

**VILLAGE OF WAKEMAN  
HURON COUNTY**

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

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$432,895
<b>Operating Cash Disbursements:</b>	
Personal Services	51,415
Fringe Benefits	
Contractual Services	166,214
Supplies and Materials	8,949
Capital Outlay	22,305
Other	1,763
Total Operating Cash Disbursements	250,646
Operating Income	182,249
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	187,400
Net Receipts Under Disbursements	(5,151)
Fund Cash Balances, January 1	186,361
<b>Fund Cash Balances, December 31</b>	<b>\$181,210</b>

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

**VILLAGE OF WAKEMAN  
HURON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$177,364	\$61,935	\$239,299
Intergovernmental Receipts	108,297	1,929	110,226
Charges for Services	11		11
Fines, Licenses, and Permits	38,338	293	38,631
Earnings on Investments	1,492	1,423	2,915
Miscellaneous	39,628		39,628
	<u>365,130</u>	<u>65,580</u>	<u>430,710</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	160,701	16,197	176,898
Public Health Services	1,229		1,229
Leisure Time Activities	26,126		26,126
Community Environment	1,365		1,365
Basic Utility Services	3,850		3,850
Transportation		43,765	43,765
General Government	169,075	17	169,092
Debt Service:			
Principal Payments	19,166		19,166
Interest Payments	481		481
	<u>381,993</u>	<u>59,979</u>	<u>441,972</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over/(Under) Disbursements	<u>(16,863)</u>	<u>5,601</u>	<u>(11,262)</u>
<b>Other Financing Disbursements:</b>			
Transfers-Out	<u>(50,000)</u>		<u>(50,000)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements			
	(66,863)	5,601	(61,262)
Fund Cash Balances, January 1	<u>68,493</u>	<u>21,000</u>	<u>89,493</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$1,630</b></u>	<u><b>\$26,601</b></u>	<u><b>\$28,231</b></u>

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



**VILLAGE OF WAKEMAN  
HURON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$395,466
Miscellaneous	750
	396,216
<b>Operating Cash Disbursements:</b>	
Personal Services	41,812
Contractual Services	135,745
Supplies and Materials	12,078
Capital Outlay	55,610
Other	2,000
Total Operating Cash Disbursements	247,245
Operating Income	148,971
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	187,343
Net Receipts Under Disbursements Before Interfund Transfers	(38,372)
Transfers-In	50,000
Net Receipts Over Disbursements	11,628
Fund Cash Balances, January 1	174,733
<b>Fund Cash Balances, December 31</b>	<b>\$186,361</b>

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

**VILLAGE OF WAKEMAN  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**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 Wakeman, Huron County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services.

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

**Wakeman Township Fire District**

The Village is associated with a jointly governed organization, Wakeman Township Fire District. The District is directed by an appointed four-member Board of Trustees. Two board members are appointed by each political subdivision within the District. Those subdivisions are Wakeman Township and the Village of Wakeman. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

**Vermilion River Ambulance District**

The Village is associated with a jointly governed organization, Vermilion River Ambulance District. The District is directed by a four-member Board of Trustees. Each political subdivision within the District appoints one member. Those subdivisions are the Village of Wakeman, Florence Township, Townsend Township, and Wakeman Township. The District provides ambulance service within the District by contracting with Citizens Ambulance Service.

**B. Basis of Accounting**

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. 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.

**VILLAGE OF WAKEMAN  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

Police Fund – This fund receives property tax monies to fund the operations of the Village Police Department.

**3. Enterprise Funds**

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

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

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

**D. 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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**VILLAGE OF WAKEMAN  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**E. 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.

**F. 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 AND INVESTMENTS**

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

	2005	2004
Demand deposits	(\$22,121)	(\$3,086)
Cash in Hand	150	150
Total deposits and cash on hand	(21,971)	(2,936)
Repurchase agreement	223,035	217,528
Total deposits and investments	\$201,064	\$214,592

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

**Investments:** The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

**VILLAGE OF WAKEMAN  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$374,760	\$379,194	\$4,434
Special Revenue	66,059	72,087	6,028
Enterprise	440,890	432,895	(7,995)
Total	\$881,709	\$884,176	\$2,467

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$359,384	\$394,170	(\$34,786)
Special Revenue	63,705	65,488	(1,783)
Enterprise	490,822	438,046	52,776
Total	\$913,911	\$897,704	\$16,207

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$390,406	\$365,130	(\$25,276)
Special Revenue	68,414	65,580	(2,834)
Enterprise	447,340	446,216	(1,124)
Total	\$906,160	\$876,926	(\$29,234)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$410,991	\$431,993	(\$21,002)
Special Revenue	61,925	59,979	1,946
Enterprise	431,182	434,588	(3,406)
Total	\$904,098	\$926,560	(\$22,462)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$34,786, the Streets Fund by \$2,500, and the Police Fund by \$1,650 for the year ended December 31, 2005, and the General Fund by \$21,002, the Police Fund by \$909, the Water Fund by \$3,186 and the Deposit Fund by \$829 for the year ended December 31, 2004. Also contrary to Ohio law, at December 31, 2005, the General Fund had a cash deficit balance of \$13,346 and the Police Fund had a deficit cash balance of \$401.

**VILLAGE OF WAKEMAN  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2005, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan - 1956	\$952,853	7.14%
OWDA Loan - 2978	395,229	6.72%
OWDA Loan - 3094	9,401	6.04%
OWDA Loan - 3778	310,948	4.84%
General Obligation Bonds	60,032	4.25%
Total	<u>\$1,728,463</u>	

The Ohio Water Development Authority (OWDA) loan 1956 relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments through the year 2018. OWDA loans 2978 and 3094 relate to water line projects. The loans will be repaid in semiannual installments through the years 2023 and 2006, respectively. OWDA loan 3778 relates to a wastewater treatment plant improvement project. The loan will be repaid over 30 years in semiannual installments starting in the year 2004 and running through 2034. The OWDA loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover the OWDA debt service requirements.

**VILLAGE OF WAKEMAN  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. DEBT – (Continued)**

The General Obligation Bonds relate to the purchase of the road servicing vehicle. The bonds will be repaid in semiannual installments through the year 2004. The note is collateralized by the Village's taxing authority.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OWDA Loans</u>	<u>General Obligation Bonds</u>
2006	\$187,400	\$8,825
2007	177,432	7,563
2008	177,432	7,332
2009	177,432	7,101
2010	177,432	6,871
2011-2015	887,160	33,664
2016-2020	638,358	
2021-2025	101,977	
2026-2030	101,977	
2031-2035	61,186	
Total	<u>\$2,687,786</u>	<u>\$71,356</u>

**7. RETIREMENT SYSTEMS**

The Village's full-time law enforcement officers belong to the Ohio Police and Fire Pension Funds (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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

**VILLAGE OF WAKEMAN  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**8. RISK MANAGEMENT – (Continued)**

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

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

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

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

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

	<b><u>2005</u></b>	<b><u>2004</u></b>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).





# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Village of Wakeman  
Huron County  
59 Hyde Street, P. O. Box 107  
Wakeman, Ohio 44889-0107

To the Village Council:

We have performed procedures we deemed necessary to the accounts, financial records, files, and reports of the Village of Wakeman, Huron County, (the Village) as of and for the years ended December 31, 2005 and 2004, following Ohio Admin. Code § 117-4-02.

### Internal Control Over Financial Reporting

As a result of our procedures, we noted certain matters that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by errors or fraud that would not be detected in a timely manner by employees when performing their assigned functions. These matters are described in the schedule of findings as items 2005-009 through 2005-0011. In a separate letter to the Village's management dated June 21, 2007, we reported other matters involving internal control over financial reporting.

### Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contracts, and grant agreements applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2005-001 through 2005-008. In a separate letter to the Village's management dated June 21, 2007, we reported other matters related to noncompliance we deemed immaterial.

Village of Wakeman  
Huron County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, and Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

June 21, 2007

**VILLAGE OF WAKEMAN  
HURON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-001**

**Finding for Recovery**

Marie Sheets, Former Fiscal Officer for the Village of Wakeman, made payments to Ohio Edison for electric service on the various accounts in the Village name. Ms. Sheets issued two Village checks made payable to Ohio Edison that were in excess of the amount due as indicated on the invoices received from Ohio Edison. A subsequent review of invoices received from Ohio Edison does not show a credit to the Village account(s) in the amount of the excess paid.

<u>Date</u>	<u>Check #</u>	<u>Amount Paid</u>	<u>Amount Per Statements</u>	<u>Difference</u>
08/26/04	6565	2,880.39	2,680.39	200.00
11/22/05	1236	2,369.69	2,316.62	53.07
		5,250.08	4,997.01	253.07

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Ohio Edison, Former Wakeman Fiscal Officer Marie Sheets, and her bonding company, Ohio Government Risk Management Plan, jointly and severally, in the amount of \$253.07, and in favor of Village of Wakeman General Fund.

**Officials Response:**

The former Fiscal Officer, Marie Sheets, stated she paid what she thought she should pay.

**FINDING NUMBER 2005-002**

**Finding for Recovery**

On September 22, 2004, the Village entered into a land contract with New Harvest Baptist Church for the purchase of the old village hall. Section 10 of the contract required that the Church would be responsible for all utility charges upon possession (which was 30 days from the contract date).

There were 3 meters at the old Village Hall. When former fiscal officer, Marie Sheets, contacted Ohio Edison to transfer the billing to the church, the fiscal officer transferred the incorrect meter. Instead of paying for the electricity for the hall, the church was paying for a lighted sign the Village maintained. Consequently, the Village paid for electricity used by the Church. The following is the difference between the cost the Church paid and what it should have paid for electricity.

**FINDING NUMBER 2005-002  
(Continued)**

<u>Date</u>	<u>Amount Paid</u>	<u>Amount Due</u>	<u>Difference</u>
Oct-04	13.98	136.09	(122.11)
Nov-04	13.98	132.43	(118.45)
Dec-04	13.98	185.40	(171.42)
Jan-05	13.98	167.22	(153.24)
Feb-05	13.98	119.80	(105.82)
Mar-05	13.98	101.80	(87.82)
Apr-05	13.98	296.99	(283.01)
May-05	13.98	137.20	(123.22)
Jun-05	13.98	160.72	(146.74)
Jul-05	13.98	127.50	(113.52)
Aug-05	13.98	141.65	(127.67)
Sep-05	13.98	206.29	(192.31)
Oct-05	13.98	143.81	(129.83)
Nov-05	13.98	166.39	(152.41)
Dec-05	13.98	128.35	(114.37)
	209.70	2,351.64	(2,141.94)

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against New Harvest Baptist Church, former Wakeman Fiscal Officer Marie Sheets, and her bonding company, Ohio Government Risk Management Plan, jointly and severally in the amount of \$2,141.94, and in favor of Village of Wakeman General Fund.

**Officials Response:**

The Village has contacted the Church and they have until July 2007 to reimburse the Village for the electric bills.

**FINDING NUMBER 2005-003**

**Finding for Recovery**

The Village paid for health insurance for its full-time employees and their families until July 2006, when this benefit was eliminated.

During 2004 and 2005, Mark Brummitt, the former Village Administrator, received the health insurance benefit for both he and his wife, Linda Brummitt. On June 9, 2005, the Village Administrator and his wife divorced. The former Village Fiscal Officer, Marie Sheets continued to pay health insurance coverage for the Administrator's former spouse until March 23, 2006, when she resigned as Fiscal Officer. The Village Finance Committee took over the duties of approving bills for payment until July 2006, when a new Fiscal Officer was hired. Also at that time, the Village decided to no longer provide health insurance to any employees. The following table presents the amounts paid for health insurance on behalf of Linda Brummitt when she became ineligible for Village benefits, including a refund issued by Medical Mutual to the Village for the last two months of premiums paid, when they learned that Linda was not eligible:

**FINDING NUMBER 2005-003  
(Continued)**

<b>DATE</b>	<b>WARRANT #</b>	<b>AMOUNT</b>
06/20/05	7423	448.92
07/18/05	7499	399.21
08/12/05	852	399.21
09/22/05	948	399.21
10/13/05	1023	399.21
11/22/05	1122	399.21
12/22/05	1224	399.21
02/14/06	1331	399.21
02/14/06	1332	399.21
03/23/06	1556	399.21
Amount approved by Marie Sheets		4,041.81
04/14/06	1575	399.21
05/08/06	1633	399.21
06/12/06	1742	553.83
07/10/06	1794	553.84
Refund		<u>(1,107.67)</u>
Amount approved by Finance Committee		<u>798.42</u>
Total Overpayment		<u><u>4,840.23</u></u>

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Linda Brummitt, the estate of Mark Brummitt, jointly and severally in the amount of \$4,840.23, and in favor of Village of Wakeman General Fund.

A Finding for Recovery for public monies illegally expended is hereby issued against former Wakeman Village Fiscal Officer Marie Sheets, and her bonding company, Ohio Government Risk Management Plan, jointly and severally in the amount of \$4,041.81, and in favor of Village of Wakeman General Fund.

**Officials Response:**

The former Fiscal Officer, Marie Sheets, stated that she forwarded the paperwork to the Administrator to have his former spouse removed from the policy but the forms were not returned and Ms. Sheets made no follow up to acquire the documents. Members of the Finance Committee indicated that the records of the Village were in such disarray when they assumed control their goal was to keep the Village afloat and it was not evident on the health care bill that an ineligible dependent was included.

## FINDING NUMBER 2005-004

### Noncompliance

Ohio Revised Code § 5705.41 (D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705 (D)(3), respectively, of the Ohio Revised Code.

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

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

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

The Village did not properly certify the availability of funds prior to purchase commitment for all expenditures during the audit period. The failure to properly certify the availability of funds can result in overspending fund and negative cash fund balances.

**FINDING NUMBER 2005-004  
(Continued)**

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

We recommend the Fiscal Officer certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials Response:**

The new Fiscal Officer, Trisha Summers, is certifying expenditures as required.

**FINDING NUMBER 2005-005**

**Noncompliance**

Ohio Revised Code Sections 733.28 and 733.43 states that the Village Clerk/Treasurer shall keep the books of the Village, exhibit accurate statements of all monies received and expended, of all property owned by the Village and the income derived there from, and all taxes and assessments.

For the years of 2004 and 2005, the Fiscal Officer did not maintain Village records that accurately reported receipts and disbursements of the Village. The Fiscal Officer did not reconcile the cash book to the Village receipts or appropriation ledgers.

These conditions resulted in the Auditor of State declaring the Village's records unauditible and the Village Council contracting with the Auditor of State's Local Government Services to reconstruct the books and financial statements.

Council should establish policies and monitoring procedures to be followed. Council or members of Council should periodically review the records maintained to determine that they are accurate, information is complete, properly posted, in balance with depositories, and retained according to policy. The members of Council performing these procedures should initial and date records as proof of their review.

**Officials Response:**

Trisha Summers, current Fiscal Officer, is utilizing the Auditor of State's Uniform Accounting System (UAN) to maintain accurate books. She is also working through the office files to locate and correctly maintain Village records from prior years.

**FINDING NUMBER 2005-006**

**Noncompliance**

Ohio Revised Code Section 149.351(A), states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

The current Fiscal Officer could not locate or reproduce the cash journal, receipt ledger, or appropriation ledger for 2005. The prior Fiscal Officer did not maintain all vouchers supporting payments or retain all voided checks. She also did not account for or maintain documentation for gaps in the numerical sequence of some of the Village checks that were not issued. The prior Fiscal Officer also transferred utility records for 2004 or 2005 to 3" computer disks that were not labeled or maintained in a manner that would make the data readily accessible.

The lack of retaining required records could result in unexpected liabilities, error or fraud going undetected, noncompliance with applicable laws, increased audit costs and qualified opinions on financial statement reporting. The Village should adopt a policy for retaining records generated and the manner in which they are to be maintained until they have been audited. A request for destruction may then be submitted to the Records Commission to address the appropriate procedures for destruction.

**Officials Response:**

Trisha Summers, current Fiscal Officer, is utilizing the UAN system to maintain accurate books. She is also working through the office files to locate and correctly maintain Village records from prior years.

**FINDING NUMBER 2005-007**

**Noncompliance**

Ohio Revised Code Section 5705.10 states that the monies paid into any fund shall be used only for which purpose such fund was established. The existence of a deficit fund cash balance in any fund indicates that money from another fund or funds have used to pay the obligations of the fund or funds carrying the deficit balance.

At December 31, 2005, we noted the following funds that had deficit cash fund balances:

<b>FUND</b>	<b>DEFICIT</b>
General	(\$13,346)
Police	(\$401)

The Village should develop a plan of action to control operating costs or increase the revenues generated in the General, Street and Police Funds to improve the cash management of these funds.

**Officials Response:**

Trisha Summers, current Fiscal Officer has eliminated the deficit balances.



**FINDING NUMBER 2005-008**

**Noncompliance**

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Our testing of budgetary compliance at December 31, 2005 and 2004, identified the following funds as having expenditures that exceeded appropriations:

<b>FUND</b>	<b>APPROPRIATION</b>	<b>EXPENDITURES</b>	<b>VARIANCE</b>
<b>FY 2005:</b>			
General	359,384	394,170	(34,786)
Streets	44,400	46,900	(2,500)
Police	15,305	16,955	(1,650)
<b>FY 2004:</b>			
General	410,991	431,993	(21,002)
Police	15,305	16,214	(909)
Water	206,847	210,033	(3,186)
Deposit	1,240	2,069	(829)

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

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

**Officials Response:**

Trisha Summers, current Fiscal Officer and Council are reviewing activity to ensure expenditures do not exceed appropriations.

**FINDING NUMBER 2005-009**

**Reportable Condition**

**Voucher Approval**

The Fiscal Officer provides payment vouchers along with a listing of the vouchers to the Finance Committee for review and approval prior to Council meetings. The Fiscal Officer does not include the check numbers on the list and we found there were approved vouchers on the list that were never paid and there were paid vouchers that were not listed. We also noted the Fiscal Officer prepared checks with amounts different than the amount approved on the list. These situations could result in unauthorized payments and unpaid bills being undetected. We recommend the Fiscal Officer include check numbers on the list and that a member of the audit committee or finance committee reconcile the list to the actual vouchers paid.

**Officials Response:**

The Finance Committee is reviewing and approving (signing) each voucher with attached invoices and purchase orders.

**FINDING NUMBER 2005-010**

**Reportable Condition**

**Dual Signatures on Checks**

The Fiscal Officer is the only person signing checks. Failure to have dual signatures may result in expenditures for improper purposes going undetected. We recommend that the Mayor, Council President or another member of Council participate in signing of checks. The Village Council can establish a small threshold amount where only the Fiscal Officer need sign the check.

**Officials Response:**

The Mayor and the Fiscal Officer now sign all checks.

**FINDING NUMBER 2005-011**

**Reportable Condition**

**Non-Payroll Expenditures**

Our 100% review of expenditures resulted in the following deficiencies:

Deficiency	# of items	
	2004	2005
Checks were altered	7	13
Check amounts were hand written		34
Checks were cashed before they were written	6	8
Checks were not signed	4	2
Check amount differed from invoice amount	7	32
Numeric sequence of checks not followed	7	33
No vouchers on file	40	3
No invoices attached to vouchers	48	52
Invoices were altered	3	1
Past due amounts and/ late fees	66	94
Late fees & Penalties	\$522.08	\$409.22

In addition in December 2005, the following series of “unused” checks were not on file: #1037 to #1041; #1261 to #1303; #1305 to #1384; #1387 to #1441; #1445 to #1447.

Failure to employ functioning procedures over payments of non-payroll expenditures could result in mismanagement of Village funds, possible overpayments, and expenditures paid from incorrect funds, or for improper purposes. In addition, we had to use significant audit time to determine that the above issues were not indicative of any fraud or abuse. To strengthen internal accounting controls over this process, we recommend the Fiscal Officer process expenditures timely upon receiving an invoice for the payment; maintain all vouchers and invoices; review checks when processing to ensure sequence of check numbers, amounts agree to invoice and approved amounts, and checks are properly signed.

**Officials Response:**

The UAN system has eliminated some of the problems, the current fiscal officer is reviewing checks to ensure sequence and amounts are correct and payments are made timely.

**VILLAGE OF WAKEMAN  
HURON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	Ohio Water Development Authority's (OWDA) Cooperative Agreement for Construction, Maintenance and Operation of Title II Project section 4.3(b) requires annual reports.	Yes	
2003-002	Ohio Revised Code § 5705.41 (D)(1) requires fiscal officers certification.	No	Not corrected, see Finding 2005-004
2003-003	Auditor of State Bulletin 2002-004 requires accounting for on-behalf-of payments.	Yes	





**Mary Taylor, CPA**  
Auditor of State

VILLAGE OF WAKEMAN

HURON 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  
JULY 24, 2007