



Dave Yost • Auditor of State

VILLAGE OF WAYNE
WOOD COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

July 11, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Wayne, Wood County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Wayne, Wood County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village of Wayne adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

July 11, 2012

**VILLAGE OF WAYNE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$21,019	\$67,281	\$88,300
Intergovernmental	28,827	60,836	89,663
Special Assessments		14,271	14,271
Charges for Services		59,171	59,171
Fines, Licenses and Permits	20,129		20,129
Earnings on Investments	121		121
Miscellaneous	1,204	4,753	5,957
<i>Total Cash Receipts</i>	<u>71,300</u>	<u>206,312</u>	<u>277,612</u>
Cash Disbursements			
Current:			
Security of Persons and Property		98,557	98,557
Public Health Services	580		580
Leisure Time Activities	2,041		2,041
Community Environment	7,470		7,470
Basic Utility Services	2,307		2,307
Transportation		38,286	38,286
General Government	58,991		58,991
Capital Outlay	3,957	25,088	29,045
Debt Service:			
Principal Retirement		27,326	27,326
Interest and Fiscal Charges		2,793	2,793
<i>Total Cash Disbursements</i>	<u>75,346</u>	<u>192,050</u>	<u>267,396</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,046)</u>	<u>14,262</u>	<u>10,216</u>
Other Financing Receipts			
Other Financing Sources		5,480	5,480
<i>Net Change in Fund Cash Balances</i>	(4,046)	19,742	15,696
<i>Fund Cash Balances, January 1</i>	<u>32,415</u>	<u>443,224</u>	<u>475,639</u>
Fund Cash Balances, December 31			
Restricted		462,966	462,966
Unassigned	28,369		28,369
<i>Fund Cash Balances, December 31</i>	<u>\$28,369</u>	<u>\$462,966</u>	<u>\$491,335</u>

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

**VILLAGE OF WAYNE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$326,498		\$326,498
Fines, Licenses and Permits		\$14,977	14,977
<i>Total Operating Cash Receipts</i>	<u>326,498</u>	<u>14,977</u>	<u>341,475</u>
Operating Cash Disbursements			
Personal Services	55,715		55,715
Contractual Services	36,025		36,025
Supplies and Materials	31,915		31,915
Other		15,602	15,602
<i>Total Operating Cash Disbursements</i>	<u>123,655</u>	<u>15,602</u>	<u>139,257</u>
<i>Operating Income (Loss)</i>	<u>202,843</u>	<u>(625)</u>	<u>202,218</u>
Non-Operating Disbursements			
Principal Retirement	(64,100)		(64,100)
Interest and Other Fiscal Charges	(136,007)		(136,007)
<i>Total Non-Operating Disbursements</i>	<u>(200,107)</u>		<u>(200,107)</u>
<i>Net Change in Fund Cash Balances</i>	2,736	(625)	2,111
<i>Fund Cash Balances, January 1</i>	<u>95,962</u>	<u>\$625</u>	<u>96,587</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$98,698</u></u>		<u><u>\$98,698</u></u>

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

VILLAGE OF WAYNE
WOOD COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$20,346	\$65,024	\$85,370
Intergovernmental	27,234	73,926	101,160
Special Assessments		14,036	14,036
Charges for Services	748	59,192	59,940
Fines, Licenses and Permits	20,422		20,422
Earnings on Investments	377		377
Miscellaneous	3,633	1,525	5,158
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	72,760	213,703	286,463
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property		105,746	105,746
Public Health Services	598		598
Leisure Time Activities	2,121	1,965	4,086
Community Environment	7,655		7,655
Basic Utility Service	2,078		2,078
Transportation		65,460	65,460
General Government	63,077		63,077
Debt Service:			
Redemption of Principal		26,217	26,217
Interest and Fiscal Charges		3,902	3,902
Capital Outlay	5,240	15,522	20,762
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	80,769	218,812	299,581
	<hr/>	<hr/>	<hr/>
Net Change in Fund Cash Balances	(8,009)	(5,109)	(13,118)
Fund Cash Balances, January 1	40,424	448,333	488,757
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$32,415</u>	<u>\$443,224</u>	<u>\$475,639</u>

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

**VILLAGE OF WAYNE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$283,104		\$283,104
Fines, Licenses and Permits		\$12,573	12,573
	<u>283,104</u>	<u>12,573</u>	<u>295,677</u>
Operating Cash Disbursements:			
Personal Services	53,442		53,442
Contractual Services	39,104		39,104
Supplies and Materials	28,362		28,362
Other		11,948	11,948
	<u>120,908</u>	<u>11,948</u>	<u>132,856</u>
Operating Income	<u>162,196</u>	<u>625</u>	<u>162,821</u>
Non-Operating Cash Disbursements:			
Capital Outlay	1,023		1,023
Redemption of Principal	62,100		62,100
Interest and Other Fiscal Charges	138,998		138,998
	<u>202,121</u>		<u>202,121</u>
Net Change in Fund Cash Balances	(39,925)	625	(39,300)
Fund Cash Balances, January 1	<u>135,887</u>		<u>135,887</u>
Fund Cash Balances, December 31	<u>\$95,962</u>	<u>\$625</u>	<u>\$96,587</u>

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

**VILLAGE OF WAYNE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

The Village participates in the Ohio Plan Risk Management public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF WAYNE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

Fire Protection Fund - This fund receives property tax money to pay for fire protection.

Police Protection Levy Fund - This fund receives property tax money to pay for police protection.

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.

Water Debt Fund – This fund receives charges for services from residents to cover the debt associated with the water treatment plant.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for activity of the Mayor's Court.

E. Budgetary Process

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

1. Appropriations

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

VILLAGE OF WAYNE
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. Summary of Significant Accounting Policies (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For 2011, the Village has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Type Definitions".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the previously reported fund balances.

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF WAYNE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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 Deposits

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

	2011	2010
Demand deposits	\$567,936	\$550,129
Certificates of deposit	21,997	21,997
Total deposits	589,933	572,126
Cash on hand	100	100
Total deposits and cash on hand	\$590,033	\$572,226

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

**VILLAGE OF WAYNE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,821	\$71,300	\$479
Special Revenue	215,412	211,792	(3,620)
Enterprise	303,105	326,498	23,393
Total	\$589,338	\$609,590	\$20,252

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,875	\$75,346	\$11,529
Special Revenue	254,800	192,050	62,750
Enterprise	344,500	323,762	20,738
Total	\$686,175	\$591,158	\$95,017

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,672	\$72,760	\$15,088
Special Revenue	216,499	213,703	(2,796)
Enterprise	238,225	283,104	44,879
Total	\$512,396	\$569,567	\$57,171

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$100,450	\$80,769	\$19,681
Special Revenue	288,900	218,812	70,088
Enterprise	355,400	323,029	32,371
Total	\$744,750	\$622,610	\$122,140

Contrary to Ohio law, none of the required transactions were certified by the Fiscal Officer at the time the commitment was incurred.

**VILLAGE OF WAYNE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Rural Development Loan - Water	\$1,762,000	4.375%
USDA Rural Development Loan - Sewer	1,084,000	5.125%
General Obligation Note - Fire Truck	8,735	4.980%
Lease Purchase - Backhoe	33,665	3.970%
Lease Purchase - Police Cruiser	11,318	4.270%
Total	<u>\$2,899,718</u>	

The USDA Rural Development Loans were obtained for water and sewer system improvement projects. The USDA loans will be repaid over 40 years for the sewer and 30 years for the water. The Village has agreed to set utility rates sufficient to cover USDA Rural Development debt service requirements.

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

The lease purchase agreement for the backhoe was done in 2009 for \$50,000 and repayment is annually for five years. The lease purchase for the police cruiser was done in 2008 for \$25,000 and repayment is annually for five years

**VILLAGE OF WAYNE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	USDA Sewer Loan	USDA Water Loan	General Obligation Note	Lease Agreements
2012	\$76,555	\$117,088	\$8,963	\$16,881
2013	78,479	117,338		16,881
2014	78,249	117,300		11,221
2015	77,967	117,383		
2016	77,635	117,180		
2017-2021	388,727	586,591		
2022-2026	390,679	586,500		
2027-2031	388,766	586,790		
2032-2036	390,505	586,571		
Total	<u>\$1,947,562</u>	<u>\$2,932,741</u>	<u>\$8,963</u>	<u>\$44,983</u>

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

7. Risk Management

Risk Pool Membership

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**VILLAGE OF WAYNE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Wayne, Wood County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 11, 2012 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village implemented Government Accounting Standards Board Statement 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 11, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

July 11, 2012

VILLAGE OF WAYNE
WOOD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-001

Noncompliance Citation

Ohio Revised Code, § 5705.41(D)(1), states that no subdivision or taxing unit 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 that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the 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, each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

Amounts 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 Council.

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 Council 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 may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the Village's expenditures were certified by the fiscal officer until the time of payment, and there was no evidence the Council followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2011-001
(Continued)**

Certification is not only required by Ohio law, but it is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council.

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

FINDING NUMBER 2011-002

Material Weakness

Financial Reporting

We encountered the following transactions that required reclassification adjustments and the accompanying financial statements reflect these amounts:

- In 2010 and 2011 in the special revenue funds personal property reimbursement and homestead and rollback monies were incorrectly posted as tax receipts and should have been recorded as intergovernmental receipts; the amounts were \$12,393 and \$12,216 respectively;
- In 2010 and 2011 in the general fund personal property reimbursement and homestead and rollback monies were incorrectly posted as tax receipts and should have been recorded as intergovernmental receipts; the amounts were \$3,901 and \$3,829 respectively;
- In 2010 and 2011 the agency fund fine money distributed to the general fund was accounted for as negative receipts, thus understating receipts and disbursements \$9,568 and \$12,029 respectively;
- In 2010 \$4,330 of general fund receipts were incorrectly presented as miscellaneous receipts, but should have been presented as fines, licenses, and permits receipts;
- In 2010 \$14,036 of special revenue fund receipts were incorrectly presented as taxes, but should have been presented as special assessments;
- In 2011 \$1,781 of special revenue fund receipts and a \$5,480 refund from BWC were incorrectly posted as miscellaneous revenue, they should have been intergovernmental receipts and other financing sources;
- In 2010 \$3,775 of general fund of disbursements were improperly recorded as capital outlay disbursements, but should have been recorded as general government disbursements;
- In 2011 \$200,429 of enterprise fund disbursements were incorrectly posted as other expenses, but should have been posted as \$64,100 principal, \$136,007 interest, and \$322 material and supplies disbursements;
- In 2010 and 2011 special revenue funds disbursements were improperly posted to the various accounts in amounts ranging from \$47,106 to \$332;

The accompanying financial statements have been adjusted to correct these errors.

**FINDING NUMBER 2011-002
(Continued)**

Accurate financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Finance Committee, to identify and correct errors and omissions.

Officials' Response:

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

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**VILLAGE OF WAYNE
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Non-compliance with USDA loan requirements; reserve funds, filing of reports, deficit balances	Yes	
2009-002	Ohio Revised Code 5705.39, appropriations exceeding estimated resources	No	Improvement made reducing this to a management letter comment.
2009-003	Ohio Revised Code 5705.41(D), the Fiscal Officer did not certify the availability of funds for expenditure.	No	Repeated as Finding 2011-001 in this report.
2009-004	Council Monitoring Controls	No	Improvement made reducing this to a management letter comment.

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VILLAGE OF WAYNE

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 24, 2012