

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY  
Regular Audit  
For the Years Ended December 31, 2012 and 2011**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Wayne Lakes, Darke County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

September 24, 2013

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**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

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# *Perry & Associates*

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## **INDEPENDENT AUDITOR'S REPORT**

July 25, 2013

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the **Village of Wayne Lakes**, Darke County, (the "Village") as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles (Continued)***

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village Wayne Lakes, Darke County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2011 the Village of Wayne Lakes adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming the Village will continue as a going concern. As discussed in Note 8 to the financial statements, the Village has suffered net losses and did not have adequate fund balances in the Debt Service Fund or Capital Projects Fund during 2012 and 2011 to make its debt payment, thus leading to deficit balances in the Funds. These conditions raise substantial doubt about the Village's ability to continue as a going concern. Management's plans regarding those matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 55,368	\$ 16,507	\$ 15,269	\$ -	\$ 87,144
Intergovernmental	42,135	71,590	3,268	-	116,993
Charges for Services	30,165	-	-	-	30,165
Fines, Licenses, and Permits	7,538	-	-	-	7,538
Earnings on Investments	7	-	-	-	7
Miscellaneous	2,290	-	-	-	2,290
<b>Total Cash Receipts</b>	<b>137,503</b>	<b>88,097</b>	<b>18,537</b>	<b>-</b>	<b>244,137</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	7,734	861	-	-	8,595
Public Health Services	2	-	-	-	2
Leisure Time Activities	56,602	-	-	-	56,602
Community Environment	415	2,055	-	992	3,462
Basic Utility Services	12,836	1,766	-	-	14,602
Transportation	-	57,473	-	-	57,473
General Government	36,207	2,025	-	-	38,232
Capital Outlay	26,565	50,054	-	-	76,619
Debt Service:					
Principal Retirement	2,512	3,716	29,265	8,994	44,487
Interest and Fiscal Charges	604	1,041	4,265	-	5,910
<b>Total Cash Disbursements</b>	<b>143,477</b>	<b>118,991</b>	<b>33,530</b>	<b>9,986</b>	<b>305,984</b>
Excess of Receipts Over(Under) Disbursements	(5,974)	(30,894)	(14,993)	(9,986)	(61,847)
<b>Other Financing Receipts:</b>					
Note Proceeds	-	41,581	-	-	41,581
Sale of Fixed Assets	620	-	-	-	620
<b>Total Other Financing Receipts</b>	<b>620</b>	<b>41,581</b>	<b>-</b>	<b>-</b>	<b>42,201</b>
Net Change in Fund Cash Balances	(5,354)	10,687	(14,993)	(9,986)	(19,646)
Fund Cash Balances, January 1	9,942	69,601	(41,583)	(3,194)	34,766
Fund Cash Balances, December 31					
Restricted	-	80,288	-	-	80,288
Unassigned (Deficit)	4,588	-	(56,576)	(13,180)	(65,168)
<b>Fund Cash Balances, December 31</b>	<b>\$ 4,588</b>	<b>\$ 80,288</b>	<b>\$ (56,576)</b>	<b>\$ (13,180)</b>	<b>\$ 15,120</b>

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

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 56,979	\$ 16,102	\$ 12,472	\$ -	\$ 85,553
Intergovernmental	39,124	35,502	2,007	-	76,633
Charges for Services	27,390	-	27	-	27,417
Fines, Licenses, and Permits	6,998	-	-	-	6,998
Earnings on Investments	33	-	-	-	33
Miscellaneous	192	-	-	-	192
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	130,716	51,604	14,506	-	196,826
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	3,949	-	-	-	3,949
Public Health Services	36	-	-	-	36
Leisure Time Activities	72,663	-	-	-	72,663
Community Environment	1,048	-	-	-	1,048
Basic Utility Services	12,698	-	-	-	12,698
Transportation	-	17,080	-	-	17,080
General Government	16,691	-	-	-	16,691
Capital Outlay	400	15,845	-	-	16,245
Debt Service:					
Principal Retirement	4,507	10,563	24,755	8,994	48,819
Interest and Fiscal Charges	964	620	4,755	-	6,339
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	112,956	44,108	29,510	8,994	195,568
Excess of Receipts Over(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	17,760	7,496	(15,004)	(8,994)	1,258
<b>Other Financing Receipts(Disbursements):</b>					
Note Proceeds	8,150	10,000	-	-	18,150
Transfers-In	-	-	25,845	6,845	32,690
Transfers-Out	(32,690)	-	-	-	(32,690)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts(Disbursements)	(24,540)	10,000	25,845	6,845	18,150
Net Change in Fund Cash Balances	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(6,780)	17,496	10,841	(2,149)	19,408
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	16,722	52,105	(52,424)	(1,045)	15,358
Fund Cash Balances, December 31					
Restricted	-	69,601	-	-	69,601
Unassigned (Deficit)	9,942	-	(41,583)	(3,194)	(34,835)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<u>\$ 9,942</u>	<u>\$ 69,601</u>	<u>\$ (41,583)</u>	<u>\$ (3,194)</u>	<u>\$ 34,766</u>

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

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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 Lakes, Darke County, Ohio (the Village) as a body corporate and politic. The Village is directed by a publicly-elected six-member Council and provides general governmental services, street construction and maintenance, and park operations (leisure time activities).

The Village participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 7 to the financial statements provides 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 of accounting does not record disbursements for investments purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**D. Fund Accounting (Continued)**

**3. Debt Service Fund**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

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

**4. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Bridge Construction Fund – This fund receives grant money for the purpose of covering costs incurred with a construction project.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and 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.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year. The Village did not encumber all commitments as required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**F. Fund Balance**

In 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which had no effect on fund balances. 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.

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**F. Fund Balance (continued)**

**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 amend 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.

**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.

**2. EQUITY IN POOLED DEPOSITS**

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

	2012	2011
Demand Deposits	\$ 15,120	\$ 30,572
NOW Savings Account	-	4,194
Total Deposits	\$ 15,120	\$ 34,766

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

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 133,594	\$ 138,123	\$ 4,529
Special Revenue	83,411	129,678	46,267
Debt Service	33,530	18,537	(14,993)
Capital Projects	15,000	-	(15,000)
Total	\$ 265,535	\$ 286,338	\$ 20,803

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 104,481	\$ 143,477	\$ (38,996)
Special Revenue	109,638	118,991	(9,353)
Debt Service	33,530	33,530	-
Capital Projects	51,708	9,986	41,722
Total	\$ 299,357	\$ 305,984	\$ (6,627)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$139,232	\$138,866	\$(366)
Special Revenue	33,542	61,604	28,062
Debt Service	29,510	40,351	10,841
Capital Projects	15,000	6,845	(8,155)
Total	\$217,284	\$247,666	\$30,382

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$120,429	\$145,646	\$(25,217)
Special Revenue	51,634	44,108	7,526
Debt Service	19,386	29,510	(10,124)
Capital Projects	8,149	8,994	(845)
Total	\$199,598	\$228,258	\$(28,660)

Contrary to Ohio Revised Code Section 5705.10, the Village had a negative fund balance in the Bond Retirement Fund and Capital Fund as of December 31, 2012 and 2011.

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio Revised Code Section 5705.36, amended certificates were not increased or decreased for several funds during 2012 and 2011.

Contrary to Ohio Revised Code Section 5705.39, the Village appropriations exceeded total estimated resources in the Capital Projects Fund in 2012.

Contrary to Ohio Revised Code Section 5705.41(B), actual disbursements exceeded appropriations in the General Fund in 2012 and 2011 and the Bond Retirement Fund in 2011 and the Street Construction Maintenance and Repair Fund in 2012.

Contrary to Ohio Revised Code Section 5705.41 (D), the Village had expenditures not properly encumbered for 39% of the disbursements tested during 2012 and 85% of expenditures tested during 2011.

**4. PROPERTY TAX**

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

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, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$ 130,980	4.60%
2nd National Bank (Truck & Plow)	40,252	3.50%
2nd National Bank (Chipper)	5,135	5.50%
2nd National Bank (Windows)	8,536	6.00%
OPWC Loan (Bridge Replacement Project)	238,352	0.00%
Total	<u>\$ 423,255</u>	

The Village entered into an agreement on April 1, 1999 for General Obligation Bonds 1999 A & B were issued to retire the Final Judgment Bonds and General Obligation Bonds. Those bonds were originally issued to pay for a recreational site acquisition and improvement. The loan principal is repaid in annual installments with interest being paid in semi-annual installments.

The Village entered into an agreement in April 2007 with Second National Bank for the lease-to-own agreement for a tractor. This agreement was paid off in 2011.

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**5. DEBT (Continued)**

The Village entered into an agreement in September 2012 with Second National Bank for the lease-to-own agreement for five years for a truck and plow. The principal loan amount was \$41,581 at 3.50%, payments are \$768.40 monthly and is scheduled to be paid off August 2017.

The Village entered into a loan agreement in October 2011 with Second National Bank for a chipper. The principal loan amount was for \$8,150 at 5.50% with monthly payments of \$246.52. This debt is scheduled to be paid off in September 2015.

The Village entered into a loan agreement on December 1, 2010 with Second National Bank for new windows in the community building. The principal loan amount was for \$13,400 at 6.00% with monthly payments of \$259.60. This debt is scheduled to be paid off on December 1, 2015.

The Village entered into a loan agreement on November 26, 2008 with OPWC for Bridge Replacement. The principal loan amount was for \$269,832. This is a zero interest loan that will be paid off on January 1, 2039. Payments are \$4497.00 semi-annually.

The Village entered into a loan agreement in October of 2011 with Second National Bank for an emergency siren. The principal loan was 10,000 at 6.00%. This loan was paid in full in December 2011.

Amortization of the above debt, including interest, follows:

Year Ending December 31,	General Bonds	Second National Truck & Plow	Second National Chipper	Second National Windows	OPWC	Total
2013	\$ 32,280	\$ 9,221	\$ 2,958	\$ 3,115	\$ 8,994	\$ 56,568
2014	30,980	9,221	2,958	3,115	8,994	55,268
2015	34,680	9,221	2,202	3,115	8,994	58,212
2016	33,120	9,221	-	-	8,994	51,335
2017	31,560	6,132	-	-	8,994	46,686
2018-2022	-	-	-	-	44,972	44,972
2023-2027	-	-	-	-	44,972	44,972
2028-2032	-	-	-	-	44,972	44,972
2033-2037	-	-	-	-	44,972	44,972
2038-2042	-	-	-	-	13,494	13,494
<b>Total</b>	<b>\$ 162,620</b>	<b>\$ 43,016</b>	<b>\$ 8,118</b>	<b>\$ 9,345</b>	<b>\$ 238,352</b>	<b>\$ 461,451</b>

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. OPERS member employees contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of the participants' gross salaries. The Village has paid all contributions required through December 31, 2012.



**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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.

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

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

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**8. GOING CONCERN**

The Village has suffered recent net losses and did not have an adequate fund balance in the Debt Service Fund or Capital Projects Funds during 2012 and 2011 to make its debt payment, thus leading to a deficit balance in the funds. While the Village is in a positive cash balance position, a large portion of the cash is in Special Revenue Funds. The use of these funds are limited either by statute or by levy ballot language and therefore, the Village is not permitted to use these monies to remedy the deficit balance in the Debt Service Fund and Capital Projects Fund.

Based on information currently available, the Village had an unforeseen expense in 2008 to make the local lodge handicap accessible which attributed to the shortage of funds. The Village is studying various remedies such as increasing fees to help increase revenue as well as exploring areas in which expenditures can be reduced in the General Fund in order to transfer additional funds from the General Fund to the Debt Service Fund and Capital Projects Fund to alleviate the negative fund balance.

The Auditor of State has various remedies available to it, the most severe of which include placing the Village on fiscal watch or fiscal emergency. The Village does not know if such action will be taken. The accompanying financial statements do not include any adjustments that might be necessary if the Village is unable to continue as a going concern.

# *Perry & Associates*

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

July 25, 2013

Village of Wayne Lakes  
Darke County  
100 Community Drive  
Greenville, OH 45331

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the of the **Village of Wayne Lakes**, Darke County, Ohio, (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, have issued our report thereon dated July 25, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits and wherein we noted the financial statements were prepared assuming the Village will continue as a going concern. We also noted that the Village implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2012-001 through 2012-003 described in the accompanying schedule of audit findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-004 through 2012-010 described in the accompanying schedule of audit findings to be significant deficiencies.

***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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2012-001 through 2012-007 and 2012-009.

***Entity's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2012-001**

**Noncompliance/Material Weakness**

**Ohio Revised Code Section 117.38** states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village filed the Annual Financial Report with the Auditor of State's office but the amounts in the report did not agree with the amounts on the Village's accounting system for 2012 and 2011. Several reclassifications and adjustments were made to the financial statement for both years. The accompanying financial statements reflect all reclassifications and adjustments.

We recommend the Annual Financial Report be compiled from the Village's accounting system and be reconciled.

**Management's Response** – Management is working to correct this during 2013.

**FINDING NUMBER 2012-002**

**Noncompliance/Material Weakness**

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

- Debt payments were improperly posted to Capital Outlay and Principal Retirement rather than Principal Retirement and Interest and Fiscal Charges in 2012 and 2011.
- Sale of Notes and Capital Outlay expenditures were not posted properly in the Village's accounting system in 2012 and 2011.
- Property Tax and Intergovernmental Revenues were posted inaccurately in 2012 and 2011.
- Pool/Beach receipts did not always have accurate supporting documentation during 2012 and 2011.

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

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Village Handbook for guidance to determine the proper classification of receipts and expenditures.

**Management's Response** – Management is working to correct this during 2013.

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2012-003**

**Noncompliance/Material Weakness**

**Ohio Revised Code Section 5705.10** requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Village had negative fund balances at December 31, as follows:

<u>Fund</u>	<u>2012</u>	<u>2011</u>
Bond Retirement Fund	(\$56,576)	(\$41,583)
Capital Projects Fund	(\$13,180)	(\$ 3,194)

We recommend the Village monitor their fund balances and, when a deficit occurs and is expected to be temporary (i.e., pending the receipt of a grant, tax settlement, etc), we recommend the Village advance monies from the General Fund until the debtor fund can advance the monies back. We recommend that expenditures and income be watched closer by the Fiscal Officer and Council to prevent the Bond Retirement Fund and Capital Project Fund from going into the negative.

**Management's Response** – Management is working to correct this during 2013.

**FINDING NUMBER 2012-004**

**Noncompliance/Significant Deficiency**

**Ohio Revised Code Section 5705.36** allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

During 2012 and 2011, the Village did not obtain a reduced or increased amended certificate for several funds when the actual receipts were less than the budgeted receipts.

The Village should perform a comparison of the estimated resources and the actual receipts periodically in order to determine whether an amended certificate of estimated resources needs to be obtained.

**Management's Response** – Management is working to correct this during 2013.

**FINDING NUMBER 2012-005**

**Noncompliance/ Significant Deficiency**

**Ohio Revised Code Section 5705.39** requires that total appropriations from each fund do not exceed total estimated resources from each fund. This section also requires the Village to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

Appropriations exceeded total estimated resources for the Capital Project Fund in 2012.

We recommend that the Village Council monitor appropriations versus estimated fund resources to avoid overspending.

**Management's Response** – Management is working to correct this during 2013.

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-006**

**Noncompliance/Significant Deficiency**

**Ohio Revised Code Section 5705.41 (B)** states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2012 in the General Fund and Street Construction Maintenance and Repair Fund and in 2011 in the General Fund and the Bond Retirement Fund.

We recommend the Village Fiscal Officer modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Village Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

**Management's Response** – Management is working to correct this during 2013.

**FINDING NUMBER 2012-007**

**Noncompliance/Significant Deficiency**

**Ohio Revised Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every 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 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 5705.41(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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt 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 taxing authority.
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.

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-007 (Continued)**

**Ohio Revised Code Section 5705.41(D) (Continued)**

3. Super Blanket Certificate – The entity 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 certification of availability of unencumbered appropriations for expenditure was not obtained for 39% of expenditures tested during 2012 and 85% of expenditures testing during 2011.

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 Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

**Management’s Response** – Management is working to correct this during 2013.

**FINDING NUMBER 2012-008**

**Significant Deficiency**

**Complete Voucher Packages**

The completed voucher packages should be the basis for the preparation of checks. The package should include the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of the goods or services and the accuracy of the quantity and price, and a copy of the requisition or purchase order to document the fiscal officer’s prior certification that sufficient appropriations and resources were available to meet the obligation.

The Village did not always present complete voucher packages to support expenditures. In 2011, 40% of expenditures tested did not include the original invoice or supporting documentation. This practice and lack of adequate supporting documentation could result in loss of Village funds or personal liability of the Village’s Officials. Through additional procedures we were able to obtain sufficient assurances for the expenditures.

We recommend that all expenditures be supported by complete voucher packages, including the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of goods or services and the accuracy of the quantity and price, a copy of the requisition or purchase order to document the Fiscal Officer’s prior certification, to help insure that all Village expenditures are for goods or services received, properly approved, and for a proper public purpose.

**Management’s Response** – Management is working to correct this during 2013.



**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-009**

**Noncompliance/Significant Deficiency**

**Ohio Rev. Code Section 9.38** states that monies should be deposited with the Village Clerk or designated depository within 24 hours of collection.

Certain receipts were deposited with the designated depository after the required time limitation. Delays of this nature could cause Village daily receipts to be lost or misplaced without being detected in a timely manner. The Village should properly safeguard receipts and implement House Bill 220 (Auditor of State Bulletin 99-020) relative to depositing requirements and procedures. This House Bill requires that monies be deposited on the next business day if the amounts of daily receipts exceed \$1,000. If daily receipts do not exceed \$1,000 and the receipts can be safeguarded, the public office may adopt a policy permitting their officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

**Management's Response** – Management is working to correct this during 2013.

**FINDING NUMBER 2012-010**

**Significant Deficiency**

**Management Monitoring for Internal Control**

The Village Council has not established effective internal control processes for monitoring of Village financial activity. Examples of deficiencies in monitoring controls include the following;

- Some checks were signed by only one signatory or a signature stamp
- Monthly Bank Reconciliations with supporting documentation were not presented to Council
- A list of expenditures was not presented to Council prior to payment
- Finance and payroll reports were not presented to Council
- Lack of a review of Annual Financial Report for accuracy prior to submission to AOS

We recommend Council establish effective internal control processes and address each of the above noted control weaknesses. This could include such things as receiving a monthly report package (budget vs. actual reports as well as revenue and expense reports), reviewing the monthly bank reconciliation and support, establishing pay rates annually, having a set time for reviewing and issuing payroll and non-payroll disbursements, and requiring two original signatures on all checks. This will help Council effectively monitor the Village's financial position and will aid in the timely detection of errors or irregularities.

**Management's Response** - Management is working to correct this during 2013.

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	ORC Section 117.38 – Filing financial report for each year within 60 days.	No	Not Corrected; Repeated as Finding 2012-001
2010-002	ORC Section 733.28 – Fiscal Officer maintain accurate record of monies received and expended.	No	Partially Corrected; Repeated as Finding 2012-002
2010-003	ORC Section 5705.10 – Negative fund balance.	No	Not Corrected; Repeated as Finding 2012-003
2010-004	ORC Section 5705.36 – Increase and decreasing of amended certificates.	No	Not Corrected; Repeated as Finding 2012-004
2010-005	ORC Section 5705.39 – Appropriations shall not exceed estimated resources.	No	Not Corrected; Repeated as Finding 2012-005
2010-006	ORC Section 5705.41(B) – Expenditures exceeding appropriations.	No	Not Corrected; Repeated as Finding 2012-006
2010-007	ORC Section 5705.41(D) – Expenditures not properly encumbered.	No	Not Corrected; Repeated as Finding 2012-007
2010-008	Complete Voucher Packages	No	Partially Corrected; Repeated as Finding 2012-008
2010-009	Timely Deposits	No	Not Corrected; Repeated as Finding 2012-009
2010-010	Management Monitoring for Internal Control	No	Not Corrected; Repeated as Finding 2012-010



# Dave Yost • Auditor of State

**VILLAGE OF WAYNE LAKES**

**DARKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 8, 2013**