



Dave Yost • Auditor of State



VILLAGE OF WAYNE LAKES  
DARKE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Wayne Lakes, Darke County, (the Village) as of and for the years ended December 31, 2014 and 2013.

### ***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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 opinions.

### ***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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2014 and 2013, 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 Village of Wayne Lakes, Darke County as of December 31, 2014 and 2013, 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(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 8 to the financial statements, the Village posted adjustments which resulted in various deficit fund balances. Note 8 describes Management's plans regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2016, 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 Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 11, 2016

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<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	\$55,947	\$16,879	\$15,843		\$88,669
Intergovernmental	28,322	40,693	3,436		72,451
Special Assessments	232				232
Charges for Services	25,645	1,030			26,675
Fines, Licenses and Permits	6,738		55		6,793
Miscellaneous	625				625
Total Cash Receipts	<u>117,509</u>	<u>58,602</u>	<u>19,334</u>		<u>195,445</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
Security of Persons and Property	8,156	1,623			9,779
Public Health Services	1,549				1,549
Leisure Time Activities	49,944				49,944
Community Environment	650	238			888
Basic Utility Services	14,994				14,994
Transportation	190	9,296			9,486
General Government	32,491	785	470		33,746
Capital Outlay	17,190				17,190
<b>Debt Service:</b>					
Principal Retirement		4,497	42,959		47,456
Interest and Fiscal Charges			7,331		7,331
Total Cash Disbursements	<u>125,164</u>	<u>16,439</u>	<u>50,760</u>		<u>192,363</u>
Excess of Receipts Over (Under) Disbursements	<u>(7,655)</u>	<u>42,163</u>	<u>(31,426)</u>		<u>3,082</u>
<b>Other Financing Receipts (Disbursements):</b>					
Transfers In			44,808		44,808
Transfers Out	<u>(26,593)</u>	<u>(18,215)</u>			<u>(44,808)</u>
Total Other Financing Receipts (Disbursements)	<u>(26,593)</u>	<u>(18,215)</u>	<u>44,808</u>		
Net Change in Fund Cash Balances	(34,248)	23,948	13,382		3,082
Fund Cash Balances, January 1	<u>(10,540)</u>	<u>104,185</u>	<u>(52,491)</u>	<u>(\$13,180)</u>	<u>27,974</u>
<b>Fund Cash Balances, December 31:</b>					
Restricted		128,133			128,133
Unassigned (Deficit)	<u>(44,788)</u>		<u>(39,109)</u>	<u>(13,180)</u>	<u>(97,077)</u>
Fund Cash Balances, December 31	<u>(\$44,788)</u>	<u>\$128,133</u>	<u>(\$39,109)</u>	<u>(\$13,180)</u>	<u>\$31,056</u>

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

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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	\$51,807	\$16,100	\$15,185		\$83,092
Intergovernmental	45,120	68,919	3,355		117,394
Charges for Services	26,682	125	28		26,835
Fines, Licenses and Permits	7,654				7,654
Miscellaneous	904				904
Total Cash Receipts	<u>132,167</u>	<u>85,144</u>	<u>18,568</u>		<u>235,879</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
Security of Persons and Property	2,975	1,014			3,989
Public Health Services	1,572				1,572
Leisure Time Activities	50,631				50,631
Community Environment	928	1,080			2,008
Basic Utility Services	14,634				14,634
Transportation		40,723			40,723
General Government	34,047	215	203		34,465
Capital Outlay	18,472				18,472
<b>Debt Service:</b>					
Principal Retirement	5,429	16,915	25,000		47,344
Interest and Fiscal Charges	657	1,300	7,280		9,237
Total Cash Disbursements	<u>129,345</u>	<u>61,247</u>	<u>32,483</u>		<u>223,075</u>
Excess of Receipts Over (Under) Disbursements	<u>2,822</u>	<u>23,897</u>	<u>(13,915)</u>		<u>12,804</u>
<b>Other Financing Receipts (Disbursements):</b>					
Sale of Capital Assets	50				50
Transfers In			18,000		18,000
Transfers Out	(18,000)				(18,000)
Total Other Financing Receipts (Disbursements)	<u>(17,950)</u>		<u>18,000</u>		<u>50</u>
Net Change in Fund Cash Balances	(15,128)	23,897	4,085		12,854
Fund Cash Balances, January 1	<u>4,588</u>	<u>80,288</u>	<u>(56,576)</u>	<u>(13,180)</u>	<u>15,120</u>
<b>Fund Cash Balances, December 31:</b>					
Restricted		104,185			104,185
Unassigned (Deficit)	(10,540)		(52,491)	(13,180)	(76,211)
Fund Cash Balances, December 31	<u>(\$10,540)</u>	<u>\$104,185</u>	<u>(\$52,491)</u>	<u>(\$13,180)</u>	<u>\$27,974</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, 2014 AND 2013**

**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, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street construction and maintenance, and park activities (leisure time activities). The Village contracts with the Darke County Sheriff's department to provide security of persons and property.

The Village participates in the Ohio Plan Risk Management, Inc. public entity 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**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.

**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:

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

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

**3. Debt Service Funds**

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 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 appropriations measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

VILLAGE OF WAYNE LAKES  
DARKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

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. **Non-spendable**

The Village classifies assets as *non-spendable* 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.

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.

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**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:

	<b>2014</b>	<b>2013</b>
Demand deposits	\$31,056	\$27,974

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

**2014 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$0	\$117,509	\$117,509
Special Revenue	0	58,602	58,602
Debt Service	0	64,142	64,142
Total	\$0	\$240,253	\$240,253

**2014 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$110,286	\$151,757	(\$41,471)
Special Revenue	54,368	34,654	19,714
Debt Service	3,831	50,760	(46,929)
Total	\$168,485	\$237,171	(\$68,686)

**2013 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$127,665	\$132,217	\$4,552
Special Revenue	80,380	85,144	4,764
Debt Service	58,100	36,568	(21,532)
Total	\$266,145	\$253,929	(\$12,216)

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$116,350	\$147,345	(\$30,995)
Special Revenue	67,500	61,247	6,253
Debt Service	40,060	32,483	7,577
Total	\$223,910	\$241,075	(\$17,165)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund and the Debt Service Fund by \$41,471 and \$46,929, respectively, for the year ended December 31, 2014. Budgetary expenditures exceeded appropriation authority in the General Fund by \$30,995 for the year ended December 31, 2013.

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Also contrary to Ohio law, at December 31, 2014, the General Fund had a cash deficit balance of \$44,788, the Debt Service fund had a cash deficit balance of \$39,109 and the Capital Projects fund had a cash deficit balance of \$13,180. At December 31, 2013, the General Fund had a cash deficit balance of \$10,540, the Debt Service fund had a cash deficit balance of \$52,491 and the Capital Projects fund had a cash deficit balance of \$13,180.

**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.

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, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$80,980	5.20%
2nd National Bank (Truck & Plow)	24,125	3.50%
2nd National Bank (Windows)	3,021	6.00%
OPWC Loan (Bridge Replacement Project)	220,363	0.00%
Total	<u>\$328,489</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 September 2012 with Second National Bank for the lease-to-own agreement for five years for a truck and plow. The principal amount was \$42,181 at 3.50%, payments are \$768 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. This loan was paid in full in October 2014.

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. 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 \$4,497 semi-annually.

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**5. DEBT (Continued)**

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

<b>Year ending December 31:</b>	<b>General Bonds</b>	<b>Second National Truck &amp; Plow</b>	<b>Second National Windows</b>	<b>OPWC</b>	<b>Total</b>
2015	\$34,680	\$9,221	\$3,115	\$8,994	\$56,010
2016	33,120	9,221		8,994	51,335
2017	31,560	6,147		8,994	46,701
2018				8,994	8,994
2019				8,994	8,994
2020-2024				44,972	44,972
2025-2029				44,972	44,972
2030-2034				44,972	44,972
2035-3039				40,477	40,477
Total	<u>\$99,360</u>	<u>\$24,589</u>	<u>\$3,115</u>	<u>\$220,363</u>	<u>\$347,427</u>

**6. RETIREMENT SYSTEMS**

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 2014 and 2013, 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, 2014.

**7. RISK MANAGEMENT**

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 (and through October 2014) 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 774 and 783 members as of December 31, 2013 and 2014 respectively.

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

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 equity at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

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

**8. FINANCIAL DIFFICULTIES**

As the result of adjustments being posted to the financial statements and the underlying accounting ledgers, that are a direct result of receipts being improperly posted throughout 2014 and 2013, the General Fund had a negative balance of (\$44,788) as of December 31, 2014.

The Village did not have an adequate fund balance in the Debt Service Fund during 2014 and 2013 to make its debt payment, thus leading to a deficit balance in the fund of (\$39,109) at December 31, 2014. The Village also had a deficit balance in the Capital Projects Fund at December 31, 2014 in the amount of (\$13,180). 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 General Fund, Debt Service Fund and Capital Projects Fund.

In March 2016, the Darke County Common Pleas Court approved the Village to transfer funds to cover the negative fund balances. The Court approved to reduce the Road Maintenance Fund Balance by \$102,123, reduce the Highway Fund by \$22,289, increase the Voted Road / Bridge Fund by \$27,335, increase the General Fund by \$44,788, increase the Debt Service Fund by \$39,109 and increase the Capital Project Fund by \$13,180.

**9. SUBSEQUENT EVENTS**

In March 2016, the Darke County Common Pleas Court approved the Village to transfer funds to cover negative fund balances. See Note 8 for more information regarding the transfer.

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# Dave Yost • Auditor of State

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

Village of Wayne Lakes  
Darke County  
100 Community Drive  
Greenville, Ohio 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 cash balances, receipts and disbursements by fund type of the Village of Wayne Lakes, Darke County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated May 11, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. In addition, we noted the Village had negative fund cash balances as of December 31, 2014.

### ***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 opinions 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.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2014-001, 2014-003 and 2014-004 to be material weaknesses.

***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 findings as items 2014-001, 2014-002 and 2014-005.

***Village'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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 11, 2016

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Negative Fund Balance – Noncompliance and Material Weakness**

**Ohio Rev. Code Section 5705.10(I)** states that money that is paid into a fund must be used only for the purposes for which such fund has been established.

A negative fund balance indicates that money from one fund was used to cover the expenses of another fund. As of December 31, 2013, the Village had negative fund balances in the General Fund, the Debt Service Fund, and the Capital Projects Fund in the amounts of (\$10,540), (\$52,491) and (\$13,180), respectively. As of December 31, 2014, the Village had negative fund balances in the General Fund, the Debt Service Fund and the Capital Projects Fund in the amounts of (\$44,788), (\$39,109) and (\$13,180), respectively. Procedures were not in place over correcting negative fund balances.

The Village should implement procedures to monitor fund cash balances throughout the year and monitor individual funds to verify that resources are used for allowable purposes and charged to appropriate funds.

**Official's Response:** On November 25, 2015 the Village made an application to the Common Pleas Court of Darke County, Ohio to transfer funds correcting the negative fund balances as of 12/31/2014. On April 20, 2016 the court ruled in favor of the transfers with the order to subscribe to and maintain the UAN systems offered by the State of Ohio no later than Dec. 31, 2016.

**FINDING NUMBER 2014-002**

**Expenditures exceeding Appropriations – Noncompliance**

**Ohio Rev. Code §5705.41 (A) and (B)** require that no subdivision or taxing unit shall: (A) Make any appropriation of money except as provided in Chapter 5705 of the Revised Code; and, (B) Make any expenditure of money unless it has been appropriated as provided in such chapter.

As of December 31, 2013, the Village's expenditures exceeded the approved appropriations in the General Fund in the amount of \$30,995. As of December 31, 2014, the Village's expenditures exceeded approved appropriations in the General Fund and the Debt Service Fund in the amounts of \$41,471 and \$46,929, respectively. Procedures were not in place to review that expenditures were exceeding appropriations.

Expenditures exceeding appropriations could result in negative cash balances in individual funds. The use of budgetary information as part of the expenditure process is an important internal control to help control spending and preventing the Village from spending more than their resources. The Village should implement procedures to verify that expenditures do not exceed appropriations by fun and make amendments as required.

**Official's Response:** The Mayor and Fiscal Officer will monitor the budgeted vs actual expenditure on a monthly basis. Also, the use of the UAN system in the future should eliminate over spending.

#### FINDING NUMBER 2014-003

##### Equity Classification and Applying GASB 54 – Material Weakness

**Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions***, introduced five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned. **Auditor of State Bulletin 2011-004** states that when the appropriation measure is adopted for the subsequent fiscal year, and those appropriations exceeds estimated receipts, the excess is assigned as it uses existing fund balance at year-end. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance.

The Village applied GASB 54 to the 2013 financial statements; however, the fund balance for the Special Revenue fund was not properly classified as restricted. The Village did not apply GASB 54 to the 2014 financial statements and the resulting adjustments were a result of a misunderstanding of GASB 54. The accompanying financial statements have been adjusted for these errors. The adjustments were a result of a misunderstanding of the proper accounts to post the above transactions.

The Village should review and implement requirements noted in GASB 54 and Auditor of State Bulletin 2011-004 and present governmental fund balances in accordance with current guidance. Failure to do so could result in filing materially misstated financial statements.

**Official's Response:** The Fiscal Officer will apply GASB 54 in reporting the year end fund balances in the appropriate classifications of non-spendable, restricted, committed and assigned and unassigned.

#### FINDING NUMBER 2014-004

##### Classification of Revenue and Disbursement Transactions – Material Weakness

The Village did not properly classify receipt and disbursement transactions. The following errors were noted on the Village's annual report for 2014 and 2013:

- During 2014 and 2013, the Village did not properly classify interest and principal payments on outstanding debt. During 2014, principal was understated in the amount of \$4,497 in the Roads Maintenance Fund and interest was understated in the amount of \$275 in the Debt Service Fund. During 2013 principal was understated by \$8,994 in the Roads Maintenance Fund and interest was understated in the amount of \$1,957 (\$657 in the General Fund and \$1,300 in the Roads Maintenance Fund).
- During 2013, Rollback & Homestead receipts were posted entirely to the General Fund rather than being split between the General Fund in the amount of \$11,502, Road Maintenance Fund in the amount of \$3,463 and the Debt Service Fund in the amount of \$3,259 as specified on the Statement of Semi-Annual Apportionment of Taxes received from the Darke County Auditor. These receipts were also improperly classified as Property and Other Tax receipts rather than Intergovernmental revenue. In addition, these receipts were posted to the Village's accounting system at the net amount rather than gross, resulting in an understatement of Intergovernmental revenue and general government expenditures in the amount of \$40 in the General Fund, \$12 in the Road Maintenance Fund and \$12 in the Debt Service Fund.
- During 2014, Rollback & Homestead receipts were posted entirely to the General Fund rather than being split between the General Fund in the amount of \$11,694, Road Maintenance Fund in the amount of \$3,552 and the Debt Service Fund in the amount of \$3,338 as specified on the Statement of Semi-Annual Apportionment of Taxes received from the Darke County Auditor. In addition, these receipts were posted to the Village's accounting system at the net amount rather than gross, resulting in an understatement of Intergovernmental revenue and general government expenditures in the amount of \$41 in the General Fund, \$12 in the Road Maintenance Fund and \$12 in the Debt Service Fund.

**FINDING NUMBER 2014-004**  
**(Continued)**

- During 2013, Motor Vehicle License Tax receipts received from the State were improperly posted as Special Assessments in the amount of \$1,775 in the Road Maintenance Fund and \$45 in the State Highway Fund. Also, receipts in the amount of \$1,968 in the Road Maintenance Fund and \$50 in the State Highway Fund were improperly posted as Property and Other Taxes rather than Intergovernmental revenue. In addition, Motor Vehicle License Tax receipts were posted 97.5 percent to the Road Maintenance Fund and 2.5 percent to the State Highway Fund. The proper allocation is 92.5 percent to the Road Maintenance Fund and 7.5 percent to the State Highway Fund. This resulted in a decrease in revenues in the amount of \$192 in the Road Maintenance Fund and an increase in revenues in the amount of \$192 in the State Highway Fund.
- During 2014, Motor Vehicle License Tax receipts received from the State were improperly posted as Property and Other Taxes in the amount of \$3,862 in the Road Maintenance Fund and \$99 in the State Highway Fund. In addition, Motor Vehicle License Tax receipts were posted 97.5 percent to the Road Maintenance Fund and 2.5 percent to the State Highway Fund. The proper allocation is 92.5 percent to the Road Maintenance Fund and 7.5 percent to the State Highway Fund. This resulted in a decrease in revenues in the amount of \$198 in the Road Maintenance Fund and an increase in revenues in the amount of \$198 in the State Highway Fund.
- During 2013, Motor Vehicle License Tax receipts received from the County were improperly posted as Property and Other Taxes and Special Assessments rather than Intergovernmental revenue in the amount of \$4,716 in the Road Maintenance Fund and \$382 in the State Highway Fund. Also, Motor Vehicle License Tax receipts were posted 97.5 percent to the Road Maintenance Fund and 2.5 percent to the State Highway Fund. The proper allocation is 92.5 percent to the Road Maintenance Fund and 7.5 percent to the State Highway Fund. This resulted in a decrease in revenues in the amount of \$255 in the Road Maintenance Fund and an increase in revenues in the amount of \$255 in the State Highway Fund.
- During 2014, Motor Vehicle License Tax receipts received from the County were improperly posted as Property and Other Taxes rather than Intergovernmental revenue in the amount of \$4,723 in the Road Maintenance Fund and \$383 in the State Highway Fund. Also, Motor Vehicle License Tax receipts were posted 97.5 percent to the Road Maintenance Fund and 2.5 percent to the State Highway Fund. The proper allocation is 92.5 percent to the Road Maintenance Fund and 7.5 percent to the State Highway Fund. This resulted in a decrease in revenues in the amount of \$255 in the Road Maintenance Fund and an increase in revenues in the amount of \$255 in the State Highway Fund.
- During 2013, Gasoline Excise Tax receipts in the amount of \$8,520 in the Road Maintenance Fund and \$218 in the State Highway Fund were improperly posted as Special Assessments rather than Intergovernmental revenue. In addition, Gasoline Excise Tax receipts were posted 97.5 percent to the Road Maintenance Fund and 2.5 percent to the State Highway Fund. The proper allocation is 92.5 percent to Road Maintenance Fund and 7.5 percent to State Highway Fund. This resulted in a decrease in revenues in the amount of \$895 in the Road Maintenance Fund and an increase in revenues in the amount of \$895 in the State Highway Fund.
- During 2014, Gasoline Excise Tax receipts were posted 97.5 percent to the Road Maintenance Fund and 2.5 percent to the State Highway Fund. The proper allocation is 92.5 percent to Road Maintenance Fund and 7.5 percent to State Highway Fund. This resulted in a decrease in revenues in the amount of \$929 in the Road Maintenance Fund and an increase in revenues in the amount of \$929 in the State Highway Fund.
- During 2013, State & Local Government Highway Distribution receipts were improperly posted entirely to the General Fund rather than \$8,381 to the Road Maintenance Fund and \$680 to the State Highway Fund.
- During 2014, State & Local Government Highway Distribution receipts were improperly posted entirely to the General Fund rather than \$8,792 to the Road Maintenance Fund and \$713 to the State Highway Fund.
- During 2014 Property Tax receipts for the inside bond issue in the amount of \$15,843 were improperly posted to the General Fund rather than the Debt Service Fund.

**FINDING NUMBER 2014-004  
(Continued)**

- During 2014 Special Assessments in the amount of \$1,015 were improperly posted as Charges for Services in the General Fund.
- During 2014, Property Tax receipts for the road and bridge levy in the amount of \$7,530 were improperly split between the Road Maintenance Fund and the State Highway Fund rather than being posted entirely to the Road Maintenance Fund. In addition, these receipts were posted as Special Assessments rather than Property and Other Taxes.
- During 2014 and 2013, Property Tax receipts in the amount of \$234 and \$403, respectively, were posted to the State Highway Fund rather than the Road Maintenance Fund.

The adjustments and reclassifications above were a result of a misunderstanding of the proper accounts to post the above transactions. The accompanying financial statements and Village records have been adjusted for these errors.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts, including review of financial reports and the financial statements by the Village Council. The Village should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted correctly. The Village should also implement procedures to verify that transactions are posted consistently between years.

**Official's Response:** The Fiscal Officer has been made aware of the misclassification of revenue as tax and special assessments instead of the appropriate intergovernmental funds and will post them correctly in the future. Revenue will also be recorded as the gross amount and the deductions posted.

**FINDING NUMBER 2014-005**

**Noncompliance**

**Ordinance No. 99-06** provides for the issuance of \$335,000 of bonds by the Village of Wayne Lakes, Ohio for the purpose of paying costs and expenses of a final judgment. Section 6 of the ordinance states, in part, "that during the period the bonds are to run, there shall be and is hereby levied on all the taxable property in the Village, in addition to all other taxes, but within applicable limitations, a direct tax annually in an amount sufficient to pay the principal of and interest on the Bonds when and as the same fall due. Said tax shall be and is hereby ordered computed, certified, levied and extended upon the tax duplicate and collected by the same officers, in the same manner, and at the same time that taxes for general purposes for each of said years are certified, extended and collected. Said tax shall be placed before and in preference to all other items and for the full amount thereof. The funds derived from said tax levies hereby required shall be placed in a separate and distinct fund."

The Village established a Bond Retirement Debt Service Fund, as required, where the Ordinance No. 99-06 tax levies were placed. In 2013 and 2014, however, the Village transferred otherwise sourced funds into this Bond Retirement Debt Service Fund. These transfers were made General Fund and other special revenue funds and were used to pay other Village loans, as well as, other general obligation bonds. The Village failed to maintain a separate and distinct bond retirement fund for the Ordinance No. 99-06 bond issuance as all sources (property taxes, intergovernmental revenues and interfund transfers) and debt principal and interest (Bonds, Loans) were paid from this single bond retirement fund in 2014. The Bond Retirement Debt Service fund had a deficit fund cash balance at the end of fiscal year 2014 and 2013 of \$39,109 and \$52,491 respectively.

**FINDING NUMBER 2014-005**  
**(Continued)**

The Village should implement procedures to ensure that sources (property taxes) to pay the general obligation debt are maintained in a separate and distinct fund as required by Ordinance. Failure to do so could result in unauthorized or unallowable revenue sources being utilized to pay for debt service and or Village property tax amounts for debt service being utilized to pay for non-general obligation debt.

**Official's Response:** Since auditors have made us aware of the problem with paying other note payment through the debt service fund, we will no longer do so. Only the bond payment and interest payment will be paid from that fund.

**VILLAGE OF WAYNE LAKES  
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2012-001	<b>Ohio Rev. Code Section 117.38</b> - Filing of Incomplete Annual Financial Reports	Yes	
2012-002	<b>Ohio Rev. Code Section 733.28</b> - Misclassification of Receipt and Disbursement Transactions.	No	Not corrected – Reissued as Finding 2014-004
2012-003	<b>Ohio Rev. Code Section 5705.10</b> - Negative Fund Balances	No	Not corrected – Reissued as Finding 2014-001
2012-004	<b>Ohio Rev. Code Section 5705.36</b> – Failure to obtain Amended Certificates of Estimated Resources	No	Not corrected – Reissued in the management letter with ORC 5705.39
2012-005	<b>Ohio Rev. Code Section 5705.36</b> - Appropriations exceeding total estimated resources	No	Not corrected - Reissued in management letter
2012-006	<b>Ohio Rev. Code Section 5705.41(B)</b> - Expenditures exceeding appropriations	No	Not corrected - Reissued as Finding 2014-002
2012-007	<b>Ohio Rev. Code Section 5705.41(D)</b> – Prior Certification	No	Not corrected - Reissued in Management Letter
2012-008	Significant Deficiency - Failure to provide complete voucher packages.	Yes	
2012-009	<b>Ohio Rev. Code Section 9.38</b> - Timely deposit of public monies	Yes	
2012-010	Significant Deficiency – Management monitoring for internal control.	No	Partially corrected – Reissued and revised and included with Finding 2014-004





# 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  
JUNE 30, 2016**