

***VILLAGE OF OAKWOOD***

**PAULDING COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2006 & 2005**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Oakwood  
228 North First Street  
P.O. Box 457  
Oakwood, Ohio 45873

We have reviewed the *Report of Independent Accountants* of the Village of Oakwood, Paulding County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Oakwood is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

November 6, 2007

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**VILLAGE OF OAKWOOD**  
**PAULDING COUNTY, OHIO**  
**Audit Report**  
**For the Years ended December 31, 2006 & 2005**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Oakwood  
Paulding County  
228 North First Street  
P.O. Box 457  
Oakwood, Ohio 45873-0457

To the Village Council:

We have audited the accompanying financial statements of the Village of Oakwood, Paulding County, Ohio (the Village), as of and for the years ended December 31, 2006 & 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

During 2004, the Village did not reconcile their book balances per their banks to the Village records. In December 2004, the Village made an adjustment in the amount of \$111,237 in the General Fund in order for the book balances to equal the 2004 Village's balances. However, an adjustment was not made in the Special Revenue, Proprietary or Agency funds. Also, adequate documentation could not be provided to support this adjustment. The Village did not make the proper January 1, 2005 fund balance adjustments in the current audit period.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 & 2005. Instead of the combined funds the accompanying financial statements present for 2006 & 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 & 2005. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding three paragraphs, the financial statements referred to above for the years ended December 31, 2006 & 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 & 2005, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding the beginning and ending fund balances, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Oakwood, Paulding County, as of December 31, 2006 & 2005, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 & 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2007, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***  
May 16, 2007

**VILLAGE OF OAKWOOD  
PAULDING COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2006**

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Capital Projects	Total
<b>CASH RECEIPTS:</b>				
Property and Other Local Taxes	\$ 97,750	\$ 63,619	\$ 43,667	\$ 205,036
Intergovernmental Receipts	6,068	59,600	-	65,668
Charges for Services	-	111,241	-	111,241
Fines, Licenses, and Permits	15	863	-	878
Earnings on Investments	8,222	-	-	8,222
Miscellaneous	12,898	33,141	125	46,164
<b>Total Cash Receipts</b>	<b>124,953</b>	<b>268,464</b>	<b>43,792</b>	<b>437,209</b>
<b>CASH DISBURSEMENTS:</b>				
<b>Current:</b>				
Security of Persons and Property	-	161,451	-	161,451
Leisure Time Activities	-	5,186	-	5,186
Transportation	-	33,073	-	33,073
General Government	98,916	6,713	-	105,629
Capital Outlay	37,574	773,476	55,713	866,763
<b>Debt Service:</b>				
Principal Payments	-	-	14,206	14,206
Interest Payments	-	-	3,227	3,227
<b>Total Cash Disbursements</b>	<b>136,490</b>	<b>979,899</b>	<b>73,146</b>	<b>1,189,535</b>
Cash Receipts Over/(Under) Cash Disbursements	(11,537)	(711,435)	(29,354)	(752,326)
<b>Other Financing Sources (Uses)</b>				
Sale of Notes	-	572,827	14,897	587,724
Proceeds of Insurance Claim	27,499	-	-	27,499
Transfers In	-	35,000	-	35,000
Transfers Out	(40,000)	-	-	(40,000)
Other Financing Sources	-	4,500	-	4,500
Other Financing Uses	(100)	-	-	(100)
<b>Total Other Financing Sources (Uses)</b>	<b>(12,601)</b>	<b>612,327</b>	<b>14,897</b>	<b>614,623</b>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	(24,138)	(99,108)	(14,457)	(137,703)
Fund Cash Balance, January 1, 2006	49,531	298,068	90,710	438,309
Fund Cash Balance, December 31, 2006	<u>\$ 25,393</u>	<u>\$ 198,960</u>	<u>\$ 76,253</u>	<u>\$ 300,606</u>

See Accompanying Notes to the Financial Statements



VILLAGE OF OAKWOOD  
PAULDING COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
For the Year Ended December 31, 2006

	Proprietary Fund Types	Fiduciary Fund Type	(Memorandum Only) Total
	Enterprise	Agency	
<b>OPERATING CASH RECEIPTS:</b>			
Charges for Services	\$ 183,079	-	\$ 183,079
Miscellaneous	5,219	-	5,219
<b>Total Operating Cash Receipts</b>	<b>188,298</b>	<b>-</b>	<b>188,298</b>
<b>OPERATING CASH DISBURSEMENTS</b>			
Personal Services	53,684	-	53,684
Transportation	968	-	968
Supplies and Materials	16,738	-	16,738
Contractual Services	39,435	-	39,435
Capital Outlay	438	-	438
<b>Total Operating Cash Disbursements</b>	<b>111,263</b>	<b>-</b>	<b>111,263</b>
Operating Income (Loss)	77,035	-	77,035
<b>NON OPERATING CASH RECEIPTS (DISBURSEMENTS)</b>			
Debt Service:			
Principal Payment	(14,000)	-	(14,000)
Interest Payment	(46,624)	-	(46,624)
Other Non-Operating Cash Receipts	1,426	\$ 3,153	4,579
Other Non-Operating Cash Disbursements	(221)	(2,393)	(2,614)
<b>Total Non Operating Cash Receipts (Disbursements)</b>	<b>(59,419)</b>	<b>760</b>	<b>(58,659)</b>
Transfers in	5,000	-	5,000
Excess of Cash Receipts Over/(Under) Cash Disbursements	22,616	760	23,376
Fund Cash Balance, January 1, 2006	75,249	(2,891)	72,358
Fund Cash Balance, December 31, 2006	<u>\$ 97,865</u>	<u>\$ (2,131)</u>	<u>\$ 95,734</u>

See Accompanying Notes to the Financial Statements

**VILLAGE OF OAKWOOD  
PAULDING COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2005**

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Capital Projects	Total
<b>CASH RECEIPTS:</b>				
Property and Other Local Taxes	\$ 88,542	\$ 65,432	\$ 42,925	\$ 196,899
Intergovernmental Receipts	6,775	93,916	-	100,691
Charges for Services	-	117,231	-	117,231
Fines, Licenses, and Permits	65	770	-	835
Earnings on Investments	5,900	46	-	5,946
Miscellaneous	18,430	21,309	-	39,739
<b>Total Cash Receipts</b>	<b>119,712</b>	<b>298,704</b>	<b>42,925</b>	<b>461,341</b>
<b>CASH DISBURSEMENTS:</b>				
<b>Current:</b>				
Security of Persons and Property	-	158,911	-	158,911
Leisure Time Activities	-	3,597	-	3,597
Transportation	-	32,012	-	32,012
General Government	103,252	2,561	-	105,813
Capital Outlay	563	43,345	21,145	65,053
<b>Debt Service:</b>				
Principal Payments	-	-	9,349	9,349
Interest Payments	-	-	2,273	2,273
<b>Total Cash Disbursements</b>	<b>103,815</b>	<b>240,426</b>	<b>32,767</b>	<b>377,008</b>
<b>Cash Receipts Over/(Under) Cash Disbursements</b>	<b>15,897</b>	<b>58,278</b>	<b>10,158</b>	<b>84,333</b>
<b>Other Financing Sources (Uses):</b>				
Other Financing Sources	5,246	-	-	5,246
Transfers In	-	45,000	-	45,000
Transfers Out	(45,000)	-	-	(45,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(39,754)</b>	<b>45,000</b>	<b>-</b>	<b>5,246</b>
<b>Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses</b>	<b>(23,857)</b>	<b>103,278</b>	<b>10,158</b>	<b>89,579</b>
<b>Fund Cash Balance, January 1, 2005 as restated see note 11</b>	<b>73,388</b>	<b>194,790</b>	<b>80,552</b>	<b>348,730</b>
<b>Fund Cash Balance, December 31, 2005</b>	<b>\$ 49,531</b>	<b>\$ 298,068</b>	<b>\$ 90,710</b>	<b>\$ 438,309</b>

See Accompanying Notes to the Financial Statements

**VILLAGE OF OAKWOOD**  
**PAULDING COUNTY, OHIO**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES**  
**ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2005**

	Proprietary Fund Types	Fiduciary Fund Type	(Memorandum Only) Total
	Enterprise	Agency	
<b>OPERATING CASH RECEIPTS:</b>			
Fines, Permits, and Fees	\$ 1,968	-	\$ 1,968
Charges for Services	165,913	-	165,913
Miscellaneous	18,159	-	18,159
<b>Total Operating Cash Receipts</b>	<b>186,040</b>	<b>-</b>	<b>186,040</b>
<b>OPERATING CASH DISBURSEMENTS</b>			
Personal Services	43,327	-	43,327
Transportation	638	-	638
Supplies and Materials	20,996	-	20,996
Contractual Services	40,217	-	40,217
Capital Outlay	205	-	205
<b>Total Operating Cash Disbursements</b>	<b>105,383</b>	<b>-</b>	<b>105,383</b>
<b>Operating Income (Loss)</b>	<b>80,657</b>	<b>-</b>	<b>80,657</b>
<b>NON OPERATING CASH RECEIPTS (DISBURSEMENTS)</b>			
<b>Debt Service:</b>			
Principal Payment	(13,000)	-	(13,000)
Interest Payment	(47,258)	-	(47,258)
Other Non-Operating Cash Receipts	1,870	\$ 4,563	6,433
Other Non-Operating Cash Disbursements	(460)	(1,454)	(1,914)
<b>Total Non Operating Cash Receipts (Disbursements)</b>	<b>(58,848)</b>	<b>3,109</b>	<b>(55,739)</b>
<b>Excess of Cash Receipts Over/(Under) Cash Disbursements</b>	<b>21,809</b>	<b>3,109</b>	<b>24,918</b>
<b>Fund Cash Balance, January 1, 2005 as restated see note 11</b>	<b>53,440</b>	<b>(6,000)</b>	<b>47,440</b>
<b>Fund Cash Balance, December 31, 2005</b>	<b>\$ 75,249</b>	<b>\$ (2,891)</b>	<b>\$ 72,358</b>

See Accompanying Notes to the Financial Statements

**VILLAGE OF OAKWOOD  
PAULDING COUNTY, OHIO  
Notes To The Financial Statements  
For The Years Ended December 31, 2006 & 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Village of Oakwood, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Village Council. The Village provides general governmental services including police, EMS services and fire protection, road maintenance, utilities (water and sewer) and park operations (leisure time activities).

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

**B. BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed by the Auditor of State.

**C. CASH AND INVESTMENTS**

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

The Village values certificates of deposits at cost.

**D. FUND ACCOUNTING**

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

**1. General Fund**

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

VILLAGE OF OAKWOOD  
PAULDING COUNTY, OHIO  
Notes To The Financial Statements  
For The Years Ended December 31, 2006 & 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

2. **Special Revenue Funds**

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

*Street Construction, Maintenance and Repair Fund* – This fund receives gasoline and motor vehicle tax money for construction, maintenance and repairing of Village streets.

*Police Levy Fund* – This fund receives revenue from property taxes to provide police protection to residents of the Village. The Police Levy Fund is not self-supporting and is supplemented by the General Fund.

*Fire Levy Fund*-This fund receives property taxes to provide fire protection to residents of the Village. Additional revenues are derived from fire contracts with surrounding Villages and Townships to provide fire protection to their residents.

*EMS Levy Fund*-This fund receives revenue from property taxes to provide EMS services to residents of the Village. Additional revenues are derived from EMS contracts with surrounding Villages and Townships to provide EMS services to their residents and charges for services for EMS runs.

3. **Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects fund:

*Capital Improvement Fund*- This fund receives 40% of the Village's income tax revenue. This revenue is used to make permanent improvements on the Village's land and property.

4. **Enterprise Funds**

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

*Water Fund*- This fund receives charges for services from residents to cover the cost of providing the utility.

*Sewer Fund*- This fund receives charges for services from residents to cover the cost of providing the utility.

VILLAGE OF OAKWOOD  
PAULDING COUNTY, OHIO  
Notes To The Financial Statements  
For The Years Ended December 31, 2006 & 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

4. **Enterprise Funds** – (continued)

*Sewer Bond Retirement Fund-* This fund receives charges for services from resident to retire a Rural Economic and Community Development Services loan.

5. **Agency Funds**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant agency funds:

*Mayor's Court Fund-* This fund receives fines, bonds and costs assessed by the Court and disburses these amounts to the State, Village or the payee.

*Fire Insurance Claim Fund-* This fund is used to hold a portion of the insurance money received by the Village residents due to claims for fire damage. The Village holds a portion of the proceeds until the property is cleaned up.

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 appropriation measure. Unencumbered appropriations lapse at year-end.

2. **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances 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 carried over, and need not be reappropriated.

The Village did not use the encumbrance method of accounting in 2006 & 2005.

VILLAGE OF OAKWOOD  
PAULDING COUNTY, OHIO  
Notes To The Financial Statements  
For The Years Ended December 31, 2006 & 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. PROPERTY, PLANT AND EQUIPMENT

The Village records disbursements for acquisition of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2005</u>	<u>2006</u>
Demand Deposits	\$296,688	\$216,340
Certificates of Deposit	213,979	180,000
Total	<u>\$510,667</u>	<u>\$396,340</u>

*Deposits:* Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by the financial institution's public entity deposit pool.

VILLAGE OF OAKWOOD  
PAULDING COUNTY, OHIO  
Notes To The Financial Statements  
For The Years Ended December 31, 2006 & 2005

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2005 is as follows:

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$ 106,437	\$ 124,958	\$ 18,521
Special Revenue	355,471	343,704	(11,767)
Capital Projects	42,337	42,925	588
Enterprise	170,880	187,910	17,030
<b>Total</b>	<b>\$ 675,125</b>	<b>\$ 699,497</b>	<b>\$ 24,372</b>

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Total</u>	<u>Total</u>	<u>Variance</u>
	<u>Appropriations</u>	<u>Expenditures</u>	
General	\$ 131,700	\$ 148,815	\$ (17,115)
Special Revenue	315,020	240,426	74,594
Capital Projects	38,350	32,767	5,583
Enterprise	181,500	166,101	15,399
<b>Total</b>	<b>\$ 666,570</b>	<b>\$ 588,109</b>	<b>\$ 78,461</b>

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$ 100,280	\$ 152,452	\$ 52,172
Special Revenue	265,761	880,791	615,030
Capital Projects	40,000	58,689	18,689
Enterprise	165,000	194,724	29,724
<b>Total</b>	<b>\$ 571,041</b>	<b>\$ 1,286,656</b>	<b>\$ 715,615</b>

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Total</u>	<u>Total</u>	<u>Variance</u>
	<u>Appropriations</u>	<u>Expenditures</u>	
General	\$ 195,070	\$ 176,590	\$ 18,480
Special Revenue	465,832	979,899	(514,067)
Capital Projects	60,200	73,146	(12,946)
Enterprise	211,858	172,108	39,750
<b>Total</b>	<b>\$ 932,960</b>	<b>\$ 1,401,743</b>	<b>\$ (468,783)</b>



**VILLAGE OF OAKWOOD  
PAULDING COUNTY, OHIO  
Notes To The Financial Statements  
For The Years Ended December 31, 2006 & 2005**

**4. PROPERTY TAXES**

Real property becomes a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. 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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**5. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are a cost sharing, multiple-employer plans. This plan provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates for both plans are prescribed by the Ohio Revised Code. For 2005, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries during the years. For 2006, OPERS members contributed 9% of their wages. The Village contributed an amount equal to 13.70% of participants' gross salaries during the year. The Village has paid all contributions required through December 31, 2006.

For both years, OP&F members contributed 10% of their wages. The Village contributed an amount equal to 19.5% for police officers of participants' gross salaries during the years. The Village has paid all contributions required through December 31, 2006.

**6. LOCAL INCOME TAX**

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

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

VILLAGE OF OAKWOOD  
PAULDING COUNTY, OHIO  
Notes To The Financial Statements  
For The Years Ended December 31, 2006 & 2005

7. DEBT

Debt outstanding as of December 31, 2006:

	<u>Principal</u>	<u>Interest Rate</u>
<b>Ohio Water Development Authority Loan</b>	<b>\$35,498</b>	<b>5.77%</b>
<b>Ohio Public Works Commission Loan</b>	<b>103,989</b>	<b>0.00%</b>
<b>Rural Economic and Community Development Services Loan</b>	<b>942,385</b>	<b>4.88%</b>
<b>Ohio Public Works Water Treatment Plant Loan</b>	<b>14,897</b>	<b>0.00%</b>
<b>Fire Station Loan</b>	<b><u>572,827</u></b>	<b>4.72%</b>
<b>Total</b>	<b><u>\$1,669,596</u></b>	

The Ohio Water Development Authority (OWDA) loan related to water plant filtration project that was mandated by The Ohio Environmental Protection Agency. The loan will be paid in semiannual installments of \$1,960 including interest over 20 years. The loan is collateralized by water and sewer receipts. After the collapse of the Village's depository and the subsequent loss of Village funds, OWDA restructured the terms of the loan with the Village.

The Ohio Public Works Commission (OPWC) loan related to water plant filtration project that was mandated by the Ohio Environmental Protection Agency. The loan will be paid in semiannual installments of \$3,851 including interest over 20 years. The loan is collateralized by water and sewer receipts.

Proceeds from the Rural Economic and Community Development Services (RECDS) loan were used to retire Sanitary Sewer System First Mortgage Temporary Revenue Bonds which had been issued previously to pay a portion of the costs of constructing a sanitary sewer collection, treatment and disposal system. The Village will make annual payments to RECDS through the year 2036.

The Ohio Public Works Commission (OPWC) loan related to water plant chlorination project that was mandated by the Ohio Environmental Protection Agency. The loan will be paid in semiannual installments of \$1,697 over 10 years with the first payment due on July 1, 2007. The OPWC issued payment in the amount of \$14,897 to a contractor in 2006. The remaining payments were issued in 2007. The total amount of loan will be \$33,930. The loan is collateralized by water and sewer receipts.

The State Bank & Trust fire station loan related to construction of a fire station within the Village corporation limits. The loan will be paid in 240 monthly-principal payments with the first principal payment due on May 5, 2007. The Village is required to make monthly interest only payments commencing June 5, 2006 through April 5, 2007. On April 5, 2017, the interest rate shall be at a rate per annum equal to the rate of the 10-year United States Treasury bonds on April 5, 2017. The full amount of the loan is \$600,000. As of December 31, 2006, the Village has used \$572,827 of the loan proceeds. The loan is collateralized by certificates of deposit and assignment of fire and EMS contracts.

VILLAGE OF OAKWOOD  
PAULDING COUNTY, OHIO  
Notes To The Financial Statements  
For The Years Ended December 31, 2006 & 2005

7. DEBT - (continued)

Year Ended December 31:	OWDA Filtration Loan	OPWC Loan	RECDS Loan	OWDA Chlorination Loan	Fire Station Loan
2007	\$3,919	\$7,703	\$59,941	\$1,697	\$40,642
2008	3,919	7,703	60,258	3,394	46,685
2009	3,919	7,703	60,528	3,394	46,685
2010	3,919	7,703	60,748	3,394	46,865
2011	3,919	7,703	60,919	3,394	46,865
2012-2016	19,595	38,515	300,944	16,970	233,427
2017-2021	12,474	26,959	302,839	1,687	233,427
2022-2026	-	-	304,080	-	233,427
2027-2031	-	-	304,669	-	46,685
2032-2036	-	-	296,474	-	-
<b>Total</b>	<b>\$51,664</b>	<b>\$103,989</b>	<b>\$1,811,400</b>	<b>\$33,930</b>	<b>\$974,708</b>

The OPWC and the State Bank & Trust loans above were approved in the amounts of \$33,930 and \$600,000, but the Village only drew down \$14,897 and \$572,827, respectively. The amortization schedule below reflects the principal and interest based on the full amount of the loan.

8. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan, an unincorporated non-profit association over 600 government entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

The Plan uses conventional insurance coverage and reinsures these coverage's 100% rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been significant reductions in insurance coverage from last year.

The Village also provides health insurance coverage to full-time employees through a private carrier.

VILLAGE OF OAKWOOD  
PAULDING COUNTY, OHIO  
Notes To The Financial Statements  
For The Years Ended December 31, 2006 & 2005

9. CONTINGENT LIABILITIES

The Village may be a defendant in various lawsuits. Although, the outcome of the lawsuits is not presently determinable, in the opinion of legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

10. LEGAL COMPLIANCE

Contrary to Ohio Revised Code Section 5705.39, the Village had appropriations exceeding total estimated resources in various funds in both years.

Contrary to Ohio Revised Code Section 5705.41 (D), no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The Village does not use purchase orders. Also, the Village does not use encumbrances.

Ohio Revised Code Section 5705.41 (B), prohibits a subdivision from making expenditures unless they have been appropriated. The Village had expenditures exceeding appropriations in various funds in both years.

11. RESTATEMENT OF BEGINNING BALANCES

A restatement of beginning fund balances is needed due to the fact that previous audit adjustments were not made properly to the General Fund, Special Revenue Fund, Capital Projects Fund, Enterprise Fund and Agency fund. Therefore, the following changes were required to the 2005 beginning fund balances:

	<u>Fund Types</u>				
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Agency</u>
<b>Fund Cash Balance December 31, 2004</b>	<b>\$42,769</b>	<b>\$104,845</b>	<b>\$49,721</b>	<b>\$130,713</b>	<b>\$4,642</b>
<b>Restatement</b>	<b>30,619</b>	<b>89,945</b>	<b>30,831</b>	<b>(77,273)</b>	<b>(10,642)</b>
<b>Fund Cash Balance January 1, 2005</b>	<b>\$73,388</b>	<b>\$194,790</b>	<b>\$80,552</b>	<b>\$53,440</b>	<b>(\$6,000)</b>

12. TRANSFERS

The Village transferred funds from the General Fund to the Police Levy Fund in both years to subsidize normal operations. Also, in 2006, the General Fund transferred funds to the Sewer Reserve Fund to subsidize operations. All transfers were made in accordance with the Ohio Revised Code.

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Fax - (216) 436-2411

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Oakwood  
Paulding County  
228 North First Street, P.O. Box 457  
Oakwood, Ohio 45873-0457

To the Village Council:

We have audited the financial statements of the Village of Oakwood, Paulding County, Ohio (Village) as of and for the years ended December 31, 2006 & 2005, and have issued our report thereon dated May 16, 2007, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Also, we opined that the financial were not fairly presented due to prior year audit adjustments not posted properly, therefore we could not satisfy ourselves as to the proper fund balance allocation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting. The significant deficiencies are described as items 2006-OAKPC-04 and 2006-OAKPC-05.

**A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.**

**Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.**

#### **Compliance and Other Matters**

**As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing* Standards, which are described in the accompanying Schedule of Findings as items 2006-OAKPC-01 through 2006-OAKPC-03.**

**We also noted certain matters that we have reported to management of the Village in a separate letter dated May 16, 2007.**

**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.**

**This report is intended solely for the information and use of the audit committee, management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.**

***Charles E. Harris and Associates, Inc.***

**May 16, 2007**

VILLAGE OF OAKWOOD  
PAULDING COUNTY  
SCHEDULE OF FINDINGS  
December 31, 2006 & 2005

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

**FINDING NUMBER 2006-OAKPC-01 Noncompliance Citation**

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a 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.

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 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 Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village 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 Village.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The Village may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not make the proper certification of funds in any tested transaction during 2005 or 2006. However, management has implemented the use of purchase orders in 2007.

VILLAGE OF OAKWOOD  
PAULDING COUNTY  
SCHEDULE OF FINDINGS – (continued)  
December 31, 2006 & 2005

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

**FINDING NUMBER 2006-OAKPC-02 Noncompliance Citation**

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated unless it has been appropriated as provided in such chapter.

During the years ended December 31, 2006 and 2005, the following funds' expenditures exceeded total appropriations:

2006

Special Revenue Funds

Street Construction and Maintenance Fund (\$1,176)  
Street Lighting Fund (\$3,519)  
Fire Levy Fund (\$275,883)  
EMS Levy Fund (\$237,668)

Capital Project Fund

Capital Improvement Fund (\$12,946)

2005

General Fund (\$17,115)

Special Revenue Funds

Street Construction and Maintenance Fund (\$5,148)  
State Highway Fund (\$6,243)  
Parks and Recreation Fund (\$2,796)  
Policy Levy Fund (\$204)  
Mayor's Court Computer Fund (\$320)

Enterprise Fund

Water Deposit Fund (\$460)

The legal level of control violations were not disclosed since they were cited at the fund level.

The Village should monitor appropriations versus expenditures to help avoid overspending. Management agrees and will monitor appropriations and expenditures.

**FINDING NUMBER 2006-OAKPC-03 Noncompliance Citation**

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Village obtains the 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.

During the year ended December 31, 2006 and 2005, the following funds' appropriations exceeded total estimated resources:



**VILLAGE OF OAKWOOD  
PAULDING COUNTY  
SCHEDULE OF FINDINGS – (continued)  
December 31, 2006 & 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued</b>
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**FINDING NUMBER 2006-OAKPC-03 Noncompliance Citation (continued)**

**2006**

**General Fund (\$45,259)**

**Special Revenue Funds**

**Police Levy Fund (\$21,070)**

**Enterprise Funds**

**Water Fund (\$2,001)**

**Water Deposit Fund (\$270)**

**2005**

**Special Revenue Fund**

**Police Levy Fund (\$4,195)**

In addition, Auditor of State Audit Bulletin 97-010 requires budgetary compliance to be tested at the legal level of control at the end of the year, as well as at various points during the year. During the month ended October 31, 2006, the following fund's appropriations exceeded total estimated resources:

**Special Revenue-Street Levy Fund (\$116,246)**

The Village Council should monitor appropriations versus estimated resources to help avoid overspending. Management agrees and will monitor appropriations versus estimated resources.

**FINDING NUMBER 2006-OAKPC-04 Material Weakness**

The Village obtained two loans during 2006. One loan was in the amount of \$600,000 for construction of fire station within the Village corporation limits. The Village only used \$572,827 of the loan proceeds in 2006. Also, the Village obtained a \$14,897 loan related to water plant chlorination project that was mandated by the Ohio Environmental Protection Agency.

The payments were made from the lending agencies directly to the vendors. The Village failed to record the proceeds of both loans and the corresponding expenditures related to the loans. Also, the Village failed to budget for these receipts and disbursements. The Village did not accurately portray their financial position by omitting \$587,724 in loan proceeds and capital outlay. These amounts were adjusted in the financial statements.

We recommend that the Village record all transactions on their books. Also, we recommend that the Village budget receipts and disbursements related to the loans and capital outlay.

Management agrees and will record all loan proceeds and capital outlay disbursements.

**VILLAGE OF OAKWOOD  
PAULDING COUNTY  
SCHEDULE OF FINDINGS – (continued)  
December 31, 2006 & 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued</b>
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**FINDING NUMBER 2006-OAKPC-05 Material Weakness**

The Village made an \$111,237 adjustment in 2004 to the General Fund in order to balance their books with their bank's balance. The adjustment was not made to the Special Revenue, Proprietary or Agency Funds. Therefore, the General Fund balance was understated and the Special Revenue, Proprietary and/or Agency Funds balances are overstated.

We recommend that Village investigate the prior year posting of the amount above and determine what the proper fund balance allocation should be. Then the adjustments should be posted to the Village's records.

Management will consider allocating the amount above to the proper funds in 2007.

**VILLAGE OF OAKWOOD  
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2006 & 2005**

<b>FINDING NUMBER</b>	<b>FUNDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2004-OAKPC-01	ORC 5705.41(D) - Proper certification of funds prior to disbursement	No	Not Corrected-See Finding 2006- OAKPC-01
2004-OAKPC-02	ORC 5705.41(B) - Disbursement in excess of Appropriations	No	Not Corrected-See 2006-Finding OAKPC-02
2004-OAKPC-03	ORC 5705.39 - Appropriations Exceeded Estimated Resources	No	Not Corrected-See 2006-Finding OAKPC-03
2004-OAKPC-04	Bank Reconciliations were not completed	Yes	Corrected, Finding No Longer Valid





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF OAKWOOD**

**PAULDING 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  
NOVEMBER 20, 2007**