



Mary Taylor, CPA
Auditor of State

VILLAGE OF OSGOOD
DARKE COUNTY

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Mary Taylor, CPA

Auditor of State

Village of Osgood
Darke County
P.O. Box 177
Osgood, Ohio 45351

To the Village Mayor and Council:

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

A handwritten signature in black ink that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 11, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Osgood
Darke County
P.O. Box 177
Osgood, Ohio 45351

To the Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Osgood, Darke County, (the Village), as of and for the years ended December 31, 2006 and 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.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 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 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances the Village of Osgood, Darke County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 October 11, 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 and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

October 11, 2007

**VILLAGE OF OSGOOD
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Local Taxes	\$8,696			\$8,696
Intergovernmental	38,091	\$21,044		59,135
Earnings on Investments	12,687	1,886		14,573
Miscellaneous	20,636			20,636
Total Cash Receipts	<u>80,110</u>	<u>22,930</u>		<u>103,040</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	6,835			6,835
Public Health Services	1,691			1,691
Leisure Time Activities	752			752
Basic Utility Service	1,717			1,717
Transportation	7,147	33,644		40,791
General Government	18,546			18,546
Debt Service:				
Redemption of Principal			4,173	4,173
Total Cash Disbursements	<u>36,688</u>	<u>33,644</u>	<u>4,173</u>	<u>74,505</u>
Total Receipts Over/(Under) Disbursements	<u>43,422</u>	<u>(10,714)</u>	<u>(\$4,173)</u>	<u>28,535</u>
Other Financing Receipts / (Disbursements):				
Transfers-In			4,173	4,173
Transfers-Out	(4,173)			(4,173)
Total Other Financing Receipts / (Disbursements)	<u>(4,173)</u>		<u>4,173</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	39,249	(10,714)		28,535
Fund Cash Balances, January 1	<u>275,495</u>	<u>55,152</u>		<u>330,647</u>
Fund Cash Balances, December 31	<u>\$314,744</u>	<u>\$44,438</u>	<u>\$0</u>	<u>\$359,182</u>

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

**VILLAGE OF OSGOOD
DARKE COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$7,691			\$7,691
Intergovernmental	38,889	\$17,223	\$594,631	650,743
Earnings on Investments	5,652	1,126		6,778
Miscellaneous	3,290			3,290
Total Cash Receipts	<u>55,522</u>	<u>18,349</u>	<u>594,631</u>	<u>668,502</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	6,188			6,188
Public Health Services	1,650			1,650
Basic Utility Service	975			975
Transportation		14,444	594,631	609,075
General Government	19,626			19,626
Total Cash Disbursements	<u>28,439</u>	<u>14,444</u>	<u>594,631</u>	<u>637,514</u>
Total Receipts Over/(Under) Disbursements	<u>27,083</u>	<u>3,905</u>		<u>30,988</u>
Fund Cash Balances, January 1	<u>248,412</u>	<u>51,247</u>		<u>299,659</u>
Fund Cash Balances, December 31	<u>\$275,495</u>	<u>\$55,152</u>	<u>\$0</u>	<u>\$330,647</u>

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

**VILLAGE OF OSGOOD
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Osgood, Darke County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services and park operations.

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

B. Accounting Basis

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

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

C. Cash 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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for maintaining and repairing highways within the Village.

**VILLAGE OF OSGOOD
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

This fund receives transfers from the General fund to make payment on the Ohio Public Works Commission (OPWC) interest free loan.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or private-purpose trust funds). The Village had the following significant capital project fund:

Capital Project Fund – This fund received Issue II Grant monies and OPWC Loan proceeds. The monies are being used to construct North Street renovation and improvement 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 level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**VILLAGE OF OSGOOD
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2006	2005
Demand deposits	\$22,538	\$48,345
STAR Ohio	336,644	282,302
Total deposits and investments	\$359,182	\$330,647

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,560	\$80,110	\$30,550
Special Revenue	14,100	22,930	8,830
Debt Service	4,173	4,173	0
Total	\$67,833	\$107,213	\$39,380

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$325,000	\$40,861	\$284,139
Special Revenue	68,600	33,644	34,956
Debt Service	4,173	4,173	0
Total	\$397,773	\$78,678	\$319,095

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,170	\$55,522	\$6,352
Special Revenue	12,500	18,349	5,849
Capital Projects	594,631	594,631	0
Total	\$656,301	\$668,502	\$12,201

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$297,500	\$28,439	\$269,061
Special Revenue	63,700	14,444	49,256
Capital Projects	594,631	594,631	0
Total	\$955,831	\$637,514	\$318,317

**VILLAGE OF OSGOOD
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	79,287	0%
Total	\$79,287	

The Ohio Public Works Commission (OWPC) loan relates to a street reconstruction project. The OWPC approved up to \$83,460 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$2,087 over 20 years. The scheduled payment amount below reflects the \$83,460 borrowed.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OWPC Loan
2007	\$4,173
2008	4,173
2009	4,173
2010	4,173
2011	4,173
2012-2017	20,865
2018- 2022	20,865
2023-2025	20,865
Total	\$83,460

**VILLAGE OF OSGOOD
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

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 plan's benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006, members of OPERS participants contributed 9 percent of their wages. The Village contributed an amount equal to 13.7 percent of their wages to OPERS. For 2005, the member contribution rate was 8.5 percent and the employer rate was 13.55 percent. The Village has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.

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Mary Taylor, CPA

Auditor of State

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

Village of Osgood
Darke County
P.O. Box 177
Osgood, Ohio 45351

To the Village Mayor and Council:

We have audited the financial statements of the Village of Osgood, Darke County, (the Village), as of and for the year ended December 31, 2006 and 2005, and have issued our report thereon dated October 11, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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**Internal Control over Financial Reporting
(Continued)**

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 material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted a certain matter that we reported to the Village's management in a separate letter dated October 11, 2007.

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

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

Mary Taylor, CPA
Auditor of State

October 11, 2007

**VILLAGE OF OSGOOD
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Significant Deficiency

Financial Monitoring

The Village Council is responsible for monitoring the financial activity of the Village.

The Council minutes for the Village did not indicate that the Council had been given bank reconciliations by the Fiscal officer, or that the bank reconciliations had been approved and accepted. Due to the lack of segregation of duties for a small government, such as a Village, this could result in management not being able to make timely informed decisions or to detect errors and/or omissions. The Council should monitor the monthly financial position by examining the current account balances and the monthly bank reconciliations. The results of this review should be documented in the Village minutes as evidence of being performed.

Officials Response:

We received no response from officials regarding the finding above.

VILLAGE OF OSGOOD
DARKE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC 135.18, Uncollateralized deposits	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF OSGOOD

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
NOVEMBER 8, 2007**