



Dave Yost • Auditor of State

VILLAGE OF OAKWOOD
PAULDING COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 14, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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, 2010 and 2009. 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.

In prior years audit adjustments were proposed to properly report certain activities and to eliminate improper transfers made by the Village, however, these adjustments were never made by the Village and as a result the 2009 and 2010 fund balances reported in the accompanying financial statements are understated or (overstated) by the following amounts: General Fund (\$16,665), Special Revenue Funds (\$34,560), Capital Projects Fund (\$3,924) and Enterprise Funds \$55,149.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, because of the effects of the matter discussed in paragraph 3 above, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances of the Village of Oakwood, Paulding County, as of December 31, 2010 and 2009, however, the financial statements referred to above present fairly, in all material respects 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 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 June 14, 2011, 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.



Dave Yost
Auditor of State

June 14, 2011

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

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

	<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	\$11,382	\$39,680		\$51,062
Municipal Income Tax	39,102		\$26,068	65,170
Intergovernmental	28,153	371,180	53,829	453,162
Special Assessments		20,134		20,134
Charges for Services		113,642		113,642
Fines, Licenses and Permits	5,886	980		6,866
Earnings on Investments	1,288	79		1,367
Miscellaneous	5,907	1,283		7,190
	<u>91,718</u>	<u>546,978</u>	<u>79,897</u>	<u>718,593</u>
Cash Disbursements:				
Current:				
Security of Persons and Property		149,675		149,675
Leisure Time Activities		1,000		1,000
Transportation		14,752		14,752
General Government	59,056	3,062		62,118
Debt Service:				
Redemption of Principal		276,681	14,618	291,299
Interest and Fiscal Charges		20,063	2,840	22,903
Capital Outlay		351,356	108,379	459,735
	<u>59,056</u>	<u>816,589</u>	<u>125,837</u>	<u>1,001,482</u>
Total Receipts Over/(Under) Disbursements	<u>32,662</u>	<u>(269,611)</u>	<u>(45,940)</u>	<u>(282,889)</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Other Debt Proceeds		241,227	21,292	262,519
Transfers-In		27,540		27,540
Transfers-Out	(27,540)			(27,540)
Other Financing Sources		16,675		16,675
Other Financing Uses	(12,000)	(4,675)		(16,675)
	<u>(39,540)</u>	<u>280,767</u>	<u>21,292</u>	<u>262,519</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(6,878)	11,156	(24,648)	(20,370)
Fund Cash Balances, January 1	<u>36,308</u>	<u>232,371</u>	<u>120,998</u>	<u>389,677</u>
Fund Cash Balances, December 31	<u>\$29,430</u>	<u>\$243,527</u>	<u>\$96,350</u>	<u>\$369,307</u>

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

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$200,673		\$200,673
Miscellaneous	2,109		2,109
Total Operating Cash Receipts	<u>202,782</u>		<u>202,782</u>
Operating Cash Disbursements:			
Personal Services	69,553		69,553
Contractual Services	39,423		39,423
Supplies and Materials	16,857		16,857
Other	120		120
Total Operating Cash Disbursements	<u>125,953</u>		<u>125,953</u>
Operating Income	<u>76,829</u>		<u>76,829</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	2,397	\$6,857	9,254
Non-Operating Cash Disbursements:			
Redemption of Principal	18,440		18,440
Interest and Other Fiscal Charges	43,838		43,838
Other Non-Operating Cash Disbursements	1,577	10,077	11,654
Total Non-Operating Cash Disbursements	<u>63,855</u>	<u>10,077</u>	<u>73,932</u>
Net Receipts Over/(Under) Disbursements	15,371	(3,220)	12,151
Fund Cash Balances, January 1	<u>132,377</u>	<u>3,975</u>	<u>136,352</u>
Fund Cash Balances, December 31	<u><u>\$147,748</u></u>	<u><u>\$755</u></u>	<u><u>\$148,503</u></u>

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

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<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	\$8,023	\$39,441		\$47,464
Municipal Income Tax	79,947		\$53,299	133,246
Intergovernmental	30,818	52,073	81,051	163,942
Special Assessments		19,508		19,508
Charges for Services		113,518		113,518
Fines, Licenses and Permits	8,715	1,220		9,935
Earnings on Investments	2,676	73		2,749
Miscellaneous	5,851	17,496	706	24,053
	<u>136,030</u>	<u>243,329</u>	<u>135,056</u>	<u>514,415</u>
Total Cash Receipts				
	<u>136,030</u>	<u>243,329</u>	<u>135,056</u>	<u>514,415</u>
Cash Disbursements:				
Current:				
Security of Persons and Property		151,978		151,978
Leisure Time Activities		60		60
Transportation		21,287		21,287
General Government	89,538	8,837		98,375
Debt Service:				
Redemption of Principal		37,432	6,596	44,028
Interest and Fiscal Charges		22,112	950	23,062
Capital Outlay		135,943	129,295	265,238
		<u>377,649</u>	<u>136,841</u>	<u>604,028</u>
Total Cash Disbursements				
	<u>89,538</u>	<u>377,649</u>	<u>136,841</u>	<u>604,028</u>
Total Receipts Over/(Under) Disbursements	<u>46,492</u>	<u>(134,320)</u>	<u>(1,785)</u>	<u>(89,613)</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Other Debt Proceeds		96,320	48,485	144,805
Sale of Fixed Assets		10,500		10,500
Transfers-In		32,000		32,000
Transfers-Out	(32,000)			(32,000)
Other Financing Sources		5,000		5,000
Other Financing Uses	(5,000)			(5,000)
	<u>(37,000)</u>	<u>143,820</u>	<u>48,485</u>	<u>155,305</u>
Total Other Financing Receipts / (Disbursements)				
	<u>(37,000)</u>	<u>143,820</u>	<u>48,485</u>	<u>155,305</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	9,492	9,500	46,700	65,692
Fund Cash Balances, January 1	26,816	222,871	74,298	323,985
Fund Cash Balances, December 31	<u><u>\$36,308</u></u>	<u><u>\$232,371</u></u>	<u><u>\$120,998</u></u>	<u><u>\$389,677</u></u>

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

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$187,672		\$187,672
Miscellaneous	2,618		2,618
Total Operating Cash Receipts	<u>190,290</u>		<u>190,290</u>
Operating Cash Disbursements:			
Personal Services	58,356		58,356
Transportation	1,640		1,640
Contractual Services	43,691		43,691
Supplies and Materials	11,712		11,712
Total Operating Cash Disbursements	<u>115,399</u>		<u>115,399</u>
Operating Income	<u>74,891</u>		<u>74,891</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	2,306	\$17,268	19,574
Non-Operating Cash Disbursements:			
Redemption of Principal	17,586		17,586
Interest and Other Fiscal Charges	44,607		44,607
Other Non-Operating Cash Disbursements	1,430	13,293	14,723
Total Non-Operating Cash Disbursements	<u>63,623</u>	<u>13,293</u>	<u>76,916</u>
Net Receipts Over Disbursements	13,574	3,975	17,549
Fund Cash Balances, January 1	<u>118,803</u>		<u>118,803</u>
Fund Cash Balances, December 31	<u>\$132,377</u>	<u>\$3,975</u>	<u>\$136,352</u>

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

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 Oakwood, Paulding County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services including police, EMS Services and fire protection, maintenance of streets, utilities (water, and sewer), and park operations (leisure time activities)

The Village participates in the Ohio Plan Risk Management Plan, a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis 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.

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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.

Parks and Recreation Fund – This fund receives donations and grant monies to fund construction and maintenance of the park

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

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

Emergency Medical Services (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 Township and Villages to provide EMS services to their residents and charges for services for EMS runs.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

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

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs and to retire a Rural Economic and Community Development Services (RECDS) loan.

5. Fiduciary Funds

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

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government.

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

E. Budgetary Process

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

1. Appropriations

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

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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 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.

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.

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2. Equity in Pooled Deposits

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

	2010	2009
Demand deposits	\$429,810	\$435,137
Certificates of deposit	88,000	90,892
Total deposits	\$517,810	\$526,029

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$101,613	\$91,718	(\$9,895)
Special Revenue	301,766	832,420	530,654
Capital Projects	215,400	101,189	(114,211)
Enterprise	145,300	205,179	59,879
Total	\$764,079	\$1,230,506	\$466,427

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$125,655	\$98,596	\$27,059
Special Revenue	368,745	821,264	(452,519)
Capital Projects	226,772	125,837	100,935
Enterprise	194,796	189,808	4,988
Total	\$915,968	\$1,235,505	(\$319,537)

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$109,775	\$136,030	\$26,255
Special Revenue	509,148	387,149	(121,999)
Capital Projects	236,224	183,541	(52,683)
Enterprise	177,344	192,596	15,252
Total	\$1,032,491	\$899,316	(\$133,175)

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$141,200	\$126,538	\$14,662
Special Revenue	589,967	377,649	212,318
Capital Projects	225,131	136,841	88,290
Enterprise	198,862	179,022	19,840
Total	\$1,155,160	\$820,050	\$335,110

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Parks and Recreation fund by \$520,471 for the year ended December 31, 2010. In addition, municipal income tax monies (\$2,227) and real estate property tax monies (\$5,162) were incorrectly allocated to the Infrastructure and General Funds.

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. Local Income Tax

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village through the Cleveland Collection Agency (CCA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Debt

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Rural Economic and Community Development Service Loan	\$880,385	4.88%
OWDA Loan	28,356	5.77%
OPWC Loans	166,696	0%
Fire Station Construction Loan	414,186	4.72%
Short-Term Line of Credit	<u>77,879</u>	3.25%
Total	<u><u>\$1,567,502</u></u>	

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 sewage collection, treatment, and disposal system. The Village will make annual payments to RECDS through the year 2036.

The Ohio Water Development Authority (OWDA) loan relates to a water plant filtration project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$1,960 including interest, with the loan maturing on July 1, 2020. The loan is collateralized by water and sewer receipts.

The Village has the following five outstanding loans with the Ohio Public Works Commission:

The first Ohio Public Works Commission (OPWC) loan relates to a water plant filtration project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$3,851, with the loan maturing on July 1, 2020. The loan is collateralized by water and sewer receipts.

The second loan relates to a water plant chlorination project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$1,696, with the loan maturing on January 1, 2017. The loan is collateralized by water and sewer receipts.

The third loan relates to a water plant aerator replacement project. The loan will be repaid in semiannual installments of \$414, with the loan maturing on July 1, 2030. The loan is collateralized by water and sewer receipts.

The fourth loan relates to a Village street improvement project on Superior Street. The loan will be repaid in semiannual installments of \$1,296, with the loan maturing on January 1, 2030. The loan is collateralized by local tax receipts.

The Village is in the process of making additional street improvements with a projected cost of \$45,000. The project is being financed through a grant and zero percent interest loan, through the OPWC. The loan amount has been approved up to \$22,500. As of December 31, 2010, the Village has obtained \$528 of the loan amount. A schedule of payments for the loan will be prepared by the Ohio Public Works Commission at the time the project is completed.

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Debt (Continued)

The fire station construction loan, obtained from the State Bank and Trust Company, 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. 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 was \$600,000. The Village made a \$100,000 principal payment on March 4, 2008. The loan is collateralized by assignment of fire and EMS contracts.

The line of credit was obtained from the State Bank and Trust Company to finance a new boat ramp facility at the Village's park. The full amount of the credit line is \$454,125. The Village is the recipient of a grant from the Ohio Division of Natural Resources which should cover the full cost of the project. A requirement of the grant is that the Village pays the contractors and then submits the invoices for reimbursement. The Village uses the credit line for these contractor payments and repayments are made with the grant reimbursement payments.

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

Year ending December 31:	RECDS Loan	OWDA Loan	OPWC Loans	Fire Station Construction Loan	State Bank Line of Credit
2011	\$60,921	\$3,919	\$14,515	\$46,685	\$77,879
2012	60,043	3,919	14,515	46,685	
2013	60,166	3,919	14,515	46,685	
2014	60,240	3,919	14,515	46,685	
2015	60,265	3,919	14,515	46,685	
2016-2020	302,846	17,636	60,699	233,428	
2021-2025	303,745		17,095	70,865	
2026-2030	304,430		15,799		
2031-2035	306,464				
2036-2040	50,792				
Total	<u>\$1,569,912</u>	<u>\$37,231</u>	<u>\$166,168</u>	<u>\$537,718</u>	<u>\$77,879</u>

7. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2010 and 2009, 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, 2010.

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. Risk Pool Membership

Through December 31, 2010, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

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

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

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

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

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

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

VILLAGE OF OAKWOOD
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

8. Risk Pool Membership (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC:

	2009 OPRM	<u>2009 OPHC</u>	<u>2009</u>	<u>2008</u>
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	<u>(4,852,485)</u>	<u>(1,253,617)</u>	<u>(6,106,102)</u>	<u>(5,286,781)</u>
Members' Equity	<u>\$6,323,701</u>	<u>\$105,185</u>	<u>\$6,428,886</u>	<u>\$5,184,333</u>

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

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 14, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted, due to the Village not recording prior audit adjustments the fund balances reported in the accompanying financial statements are not accurate. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001, 2010-003, and 2010-005 described in the accompanying schedule of findings 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-002, 2010-003, 2010-004 and 2010-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 14, 2011.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

June 14, 2011

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-001

Finding for Adjustment/Material Weakness

In prior years findings for adjustments were proposed to correctly classify certain activities and eliminate improper transfers made by the Village, that were not allowable per **Ohio Revised Code, §§ 5705.14, .15 and .16**. However, the Village never recorded these adjustments and as a result the fund balances as reported by the Village at December 31, 2010 and 2009 were misstated by the following amounts:

Fund	Fund Balance Understated/ (Overstated)
General Fund	(\$16,665.26)
Special Revenue Funds:	
Street Construction Maintenance and Repair Fund	3,051.02
State Highway Fund	4,610.79
Park and Recreation Fund	(506.44)
Police Levy Fund	13,000.46
Fire Levy Fund	(50,782.32)
EMS Levy Fund	(13,877.81)
Street Lighting Fund	10,013.08
Enforcement and Education Fund	(33.57)
Indigent Driver Fund	(33.57)
Mayor Court Computer Fund	(1.73)
Total Special Revenue Funds	(34,560.09)
Capital Projects Fund:	
Capital Improvement Fund	(3,923.95)
Enterprise Funds:	
Water Fund	(1,756.67)
Water Deposit Fund	(52.01)
Sewer Fund	49,515.82
Sewer Reserve Fund	4,760.83
Sewer Bond Retirement Fund	2,681.33
Total Enterprise Funds	55,149.30

In accordance with the forgoing facts, we hereby issue a finding for adjustment for the differences listed above. We recommend the Village record the adjustment to the Village's accounting records for the differences in fund balance listed above.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2010-002

Finding for Recovery

Pursuant to Village of Oakwood, Local Ordinance 07-05, the compensation for Village Council members is set at \$50 per meeting. The ordinance also permits a council member to receive compensation for up to four missed regular council meetings per year. Council members shall not receive compensation for any missed special or finance meetings. The records reflect the Village of Oakwood held fifteen regular meetings and three special and four finance meetings for a total of twenty-two council meetings in 2009. The attendance records indicate Council member Jake Meeker attended all special and finance meetings and thirteen regular meetings for a total of twenty council meetings attended. He was absent for two regular council meetings. The total compensation due and owing Meeker for the year 2009 was \$1,100 (22 meetings at \$50 per meeting). A review of the payroll records indicate Meeker was paid \$1,450 and as a result, an overpayment of \$350 occurred.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is issued against Jake Meeker, Council Member in the amount of \$350 and in favor of the Village of Oakwood's General Fund.

Officials' Response:

A repayment plan has been established between Mr. Meeker and the Village's Fiscal Officer.

FINDING NUMBER 2010-003

Noncompliance Citation/Material Weakness

Ohio Revised Code, §5705.10, requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

In 2009, Municipal Income Tax monies, from the Auditor of State's office, were incorrectly allocated to the Infrastructure Fund (\$2,227) rather than the General Fund.

Real Estate Property Tax monies for the 2010 Police Levy Fund were incorrectly allocated to the General Fund (\$5,162).

The financial statements and Village's financial records have been adjusted to correct these differences. We recommend the tax monies be paid into the funds consistent with the purpose of the source of tax revenue.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2010-004

Noncompliance Citation

Ohio Revised Code, § 5705.41 (B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. In 2010, Village expenditures exceed appropriations in the Parks and Recreation Fund by \$520,471. Failure to have adequate appropriations in place at the time of the expenditures are being made could result in expenditures exceeding available resources, further resulting in deficit spending practices.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request that Village Council approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2010-005

Material Weakness – Financial Reporting

The Village obtained a line of credit from their local financial institution in 2009 to be used to finance the construction of a boat ramp facility. Once the expenses were paid, they could be submitted to the Ohio Division of Natural Resources for reimbursement with grant proceeds. In 2009, the Village made payments to contractors, totaling \$ 96,320, from this line of credit. The grant proceeds, repayment of the loan and the capital outlay were not recorded on the Village's books. The financial statements were adjusted to reflect the loan activity.

Sound financial reporting is the responsibility of the fiscal officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Audit Committee, to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the Auditor of State's Village handbook which contains a chart of accounts. This may help to ensure all accounts are being properly posted to the financial statements.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2010-006

Noncompliance Citation

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

FINDING NUMBER 2010-006
(Continued)

There are several exceptions to the requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Seventy-five percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and none of the exceptions provided for were used. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

Officials' Response:

We did not receive a response from Officials to this finding.

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-OAKPC-01	Ohio Revised Code §5705.41(D): Non certification of expenditures by Fiscal Officer.	No	Reissued as Finding 2010-006 in this report.
2008-OAKPC-02	Ohio Revised Code §5705.41(B): Actual expenditures exceeded approved appropriations	No	Reissued as Finding 2010-004 in this report.
2008-OAKPC-03	Ohio Revised Code §5705.36(A) (4): Fund appropriations exceeded fund actual resources.	Yes	
2008-OAKPC-04	Material weakness regarding failure to record loan proceeds	No	Reissued as Finding 2010-005 in this report.
2008-OAKPC-05	Material weakness regarding recording of maturing certificates of deposit	Yes	
2008-OAKPC-06	Material weakness regarding incorrect allocations of income tax refunds	Yes	
2008-OAKPC-07	Material weakness regarding bank reconciliations	Yes	
2008-OAKPC-08	Material weakness regarding posting errors	Yes	
2008-OAKPC-09	Material weakness regarding documentation of utility customers	No	Reissued as a management letter comment
2008-OAKPC-10	Ohio Revised Code §9.38 untimely deposits	Yes	
2008-OAKPC-11	Ohio Revised Code §5705.14 – 16 regarding making illegal transfers	Yes	

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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
JULY 5, 2011