



**Auditor of State
Betty Montgomery**

VILLAGE OF OAKWOOD
PAULDING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2002.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2001.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2001.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Oakwood, Paulding County, (the Village) as of and for the years ended December 31, 2002 and 2001. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Village of Oakwood
Paulding County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 19, 2003

**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, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax and Other Local Taxes	\$61,665	\$37,365	\$30,105	\$129,135
Special Assessments		16,305		16,305
Intergovernmental Receipts	40,103	72,112	24,039	136,254
Charges for Services		81,656		81,656
Fines, Licenses, and Permits	5,465	1,020		6,485
Earnings on Investments	4,286	98		4,384
Miscellaneous	4,034	11,795		15,829
	115,553	220,351	54,144	390,048
Total Cash Receipts	115,553	220,351	54,144	390,048
Cash Disbursements:				
Current:				
Security of Persons and Property		167,979		167,979
Leisure Time Activities		1,077		1,077
Transportation		55,843		55,843
General Government	80,845	9,268	6,219	96,332
Debt Service:				
Principal Payments		4,575	7,703	12,278
Interest Payments			716	716
Capital Outlay			26,101	26,101
	80,845	238,742	40,739	360,326
Total Cash Disbursements	80,845	238,742	40,739	360,326
Total Cash Receipts Over/(Under) Cash Disbursements	34,708	(18,391)	13,405	29,722
Other Financing Receipts and (Disbursements):				
Transfers-In		32,879	21,768	54,647
Transfers-Out	(54,647)			(54,647)
	(54,647)	32,879	21,768	
Total Other Financing Receipts/(Disbursements)	(54,647)	32,879	21,768	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements Before Extraordinary Loss	(19,939)	14,488	35,173	29,722
Extraordinary Loss on Investments	(1,658)	(159,496)	(2,776)	(163,930)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements After Extraordinary Loss	(21,597)	(145,008)	32,397	(134,208)
Fund Cash Balances, January 1	208,201	199,605	(15,923)	391,883
Fund Cash Balances, December 31	\$186,604	\$54,597	\$16,474	\$257,675

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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$168,576		\$168,576
Miscellaneous	679		679
Total Operating Cash Receipts	<u>169,255</u>		<u>169,255</u>
Operating Cash Disbursements:			
Personal Services	55,788		55,788
Fringe Benefits	804		804
Contractual Services	29,121		29,121
Supplies and Materials	29,271		29,271
Total Operating Cash Disbursements	<u>114,984</u>		<u>114,984</u>
Operating Income	<u>54,271</u>		<u>54,271</u>
Non-Operating Cash Receipts:			
Proceeds from Notes and Bonds	45,012		45,012
Other Non-Operating Receipts	751	\$8,235	8,986
Total Non-Operating Cash Receipts	<u>45,763</u>	<u>8,235</u>	<u>53,998</u>
Non-Operating Cash Disbursements:			
Debt Service	60,179		60,179
Other Non-Operating Cash Disbursements	1,016	8,762	9,778
Total Non-Operating Cash Disbursements	<u>61,195</u>	<u>8,762</u>	<u>69,957</u>
Excess of Receipts Over/ (Under) Disbursements Before Extraordinary Loss	38,839	(527)	38,312
Extraordinary Loss on Investments	<u>(130,493)</u>		<u>(130,493)</u>
Excess of Receipts Under Disbursements After Extraordinary Loss	(91,654)	(527)	(92,181)
Fund Cash Balances, January 1	<u>173,915</u>	<u>2,796</u>	<u>176,711</u>
Fund Cash Balances, December 31	<u>\$82,261</u>	<u>\$2,269</u>	<u>\$84,530</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 AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$111,708	\$67,617			\$179,325
Intergovernmental Receipts	82,790	41,261	\$37,307		161,358
Charges for Services		66,908			66,908
Fines, Licenses, and Permits	7,433	650			8,083
Earnings on Investments	15,765	218			15,983
Miscellaneous	2,565	4,738		\$2,240	9,543
	<u>220,261</u>	<u>181,392</u>	<u>37,307</u>	<u>2,240</u>	<u>441,200</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property		200,694			200,694
Public Health Services		256			256
Community Environment		559			559
Transportation		19,301			19,301
General Government	76,871	14,845	50,752	2,240	144,708
Debt Service:					
Principal Payments			8,640		8,640
Interest Payments			1,824		1,824
Capital Outlay	7,781	155,485	59,075		222,341
	<u>84,652</u>	<u>391,140</u>	<u>120,291</u>	<u>2,240</u>	<u>598,323</u>
Total Cash Disbursements					
Total Cash Receipts Over/ (Under) Cash Disbursements	<u>135,609</u>	<u>(209,748)</u>	<u>(82,984)</u>		<u>(157,123)</u>
Other Financing Receipts/(Disbursements):					
Sale of Bonds or Notes		155,485			155,485
Transfers-In		40,431	38,941		79,372
Transfers-Out	(79,372)				(79,372)
	<u>(79,372)</u>	<u>195,916</u>	<u>38,941</u>		<u>155,485</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	56,237	(13,832)	(44,043)		(1,638)
Fund Cash Balances, January 1	<u>151,964</u>	<u>213,437</u>	<u>28,120</u>		<u>393,521</u>
Fund Cash Balances, December 31	<u>\$208,201</u>	<u>\$199,605</u>	<u>(\$15,923)</u>		<u>\$391,883</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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$159,756		\$159,756
Miscellaneous	2,996		2,996
Total Operating Cash Receipts	<u>162,752</u>		<u>162,752</u>
Operating Cash Disbursements:			
Personal Services	73,547		73,547
Fringe Benefits	58		58
Contractual Services	26,903		26,903
Supplies and Materials	25,821		25,821
Capital Outlay	2,666		2,666
Total Operating Cash Disbursements	<u>128,995</u>		<u>128,995</u>
Operating Income	<u>33,757</u>		<u>33,757</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	<u>1,813</u>	<u>\$9,324</u>	<u>11,137</u>
Non-Operating Cash Disbursements:			
Debt Service	60,500		60,500
Other Non-Operating Cash Disbursements	<u>1,202</u>	<u>9,154</u>	<u>10,356</u>
Total Non-Operating Cash Disbursements	<u>61,702</u>	<u>9,154</u>	<u>70,856</u>
Net Receipts Over/(Under) Disbursements	(26,132)	170	(25,962)
Fund Cash Balances, January 1	<u>200,047</u>	<u>2,626</u>	<u>202,673</u>
Fund Cash Balances, December 31	<u><u>\$173,915</u></u>	<u><u>\$2,796</u></u>	<u><u>\$176,711</u></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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Oakwood, Paulding County, (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 Council. 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'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 or permitted by the Auditor of State.

C. Cash and Investments

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from 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.

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.

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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.

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 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 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 that the 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 this utility.

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

Sewer Bond Retirement Fund – Receives charges for services from residents to retire a Rural Economic and Community Development Services (RECDS) loan.

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Fire Damage Insurance Trust Fund – This fund is used to hold a portion of the insurance money received by Village residence due to claims for fire damage. The Village holds a portion of the insurance proceeds until the property is cleaned up. This fund is classified as an expenditure trust fund.

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.

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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 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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. PRIOR PERIOD ADJUSTMENT

Prior to January 1, 2001 the Chief of Police Furtherance of Justice Agency Fund was inadvertently undisclosed by the Village. Effective January 1, 2001, the Village determined the amount related to the Chief of Police Furtherance of Justice Agency Fund by providing bank statements to support the balance of \$2,241. There was no effect on the amount of excess of the receipts over disbursements as previously reported for the year ended December 31, 2000, but the January 1, 2001 fund balance in the Agency Fund Type increased from \$385 to \$2,626.

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Cash on hand	\$109	\$56
Demand deposits	\$333,387	\$413,538
Certificates of deposit	8,709	155,000
Total deposits	\$342,205	\$568,594

Deposits: At December 31, 2002, deposits were either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village.

At December 31, 2001 deposits were (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) uncollateralized.

At December 31, 2001, \$361,157 of the Village deposits were not insured or collateralized, contrary to Ohio law.

Extraordinary Loss on Investments: On February 1, 2002, it was discovered that the Village's depository, the Oakwood State Bank, was allegedly defrauded of most of its assets. The Village was only insured for \$108,748 (FDIC) and an additional \$101,103 from the resale of bonds to the State Bank and Trust Company that were originally held by the defrauded bank. The Village eventually received an additional \$34,260 from liquidation of bank assets in 2002. Total extraordinary loss of funds amounted to \$294,423 in 2002. In addition to the funds recovered through FDIC insurance and sale of assets, FDIC also forgave \$155,485 in outstanding loans the Village had with the Oakwood State Bank on February 1, 2002. The Village is still awaiting any future liquidation of the bank's assets.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$225,168	\$115,553	(\$109,615)
Special Revenue	224,440	253,230	28,790
Capital Projects	35,721	75,912	40,191
Enterprise	164,566	215,018	50,452
Total	\$649,895	\$659,713	\$9,818

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$137,150	(\$137,150)
Special Revenue		398,238	(398,238)
Capital Projects		43,515	(43,515)
Enterprise		306,672	(306,672)
Total		<u>\$885,575</u>	<u>(\$885,575)</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$199,392	\$220,261	\$20,869
Special Revenue	240,105	377,308	137,203
Capital Projects	210,757	76,248	(134,509)
Enterprise	149,518	164,565	15,047
Fiduciary	7,480	2,240	(5,240)
Total	<u>\$807,252</u>	<u>\$840,622</u>	<u>\$33,370</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$184,338	\$164,024	\$20,314
Special Revenue	321,091	391,140	(70,049)
Capital Projects	92,861	120,291	(27,430)
Enterprise	186,705	190,697	(3,992)
Fiduciary		2,240	(2,240)
Total	<u>\$784,995</u>	<u>\$868,392</u>	<u>(\$83,397)</u>

5. PROPERTY TAX

Real property taxes become 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 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.

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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 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 either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

7. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$41,577	5.77%
Ohio Public Works Commission Loan	134,801	
Rural Economic and Community Development Service Loan	994,431	4.88%
Total	\$1,170,809	

The Ohio Water Development Authority (OWDA) loan relates to a water plant filtration project that was mandated by the Ohio Environmental Protection Agency. The loans will be repaid 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 depository and the subsequent loss of Village funds, OWDA restructured the terms of its loan with the Village.

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

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

Year ending December 31:	OWDA Loan	OPWC Loan	RECDS Loan
2003	\$2,676	\$7,703	\$60,430
2004	3,919	7,703	59,845
2005	3,919	7,703	60,260
2006	3,919	7,703	60,626
2007	3,919	7,703	59,943
Subsequent	48,988	96,286	1,751,452
Total	\$67,340	\$134,801	\$2,052,556

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

The Village entered into a lease purchase agreement with General Motors Acceptance Corporation (GMAC) on December 20, 1999 for the lease/purchase of a new dump truck. Payment schedule is three years (\$13,306.40 due annually) and at the end of the lease, the Village has the option to purchase the truck for \$1.00.

8. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the 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 cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

9. RISK MANAGEMENT

Risk Pool Membership

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

Pursuant to § 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 coverage's, 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's 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.

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

10. LEGAL COMPLIANCE

The Village was in non-compliance with the following:

- Village did not properly allocate income tax revenues between the General Fund and the Capital Projects Fund in 2002 according to Ordinance #96-22.
- Contrary to Ohio law, Village Council did not approve an annual appropriation resolution for Fiscal Year 2002. Therefore, expenditures were in excess of appropriations in all funds at December 31, 2002.

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

- Contrary to Ohio law the Capital Projects Fund had a deficit balance at December 31, 2001 and the Police Levy Special Revenue Fund had deficit fund balance at December 31, 2002 and Street Light Assessments were improperly credited to the General Fund.
- Contrary to Ohio law, the Village Clerk-Treasurer did not properly certify ninety seven percent of Village disbursements.
- Contrary to Ohio law, the Village deposits were not properly secured at February 1, 2002.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Oakwood, Paulding County, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 19, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-30263-001 through 2002-30263-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 19, 2003.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 19, 2003.

Village of Oakwood
Paulding County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

May 19, 2003

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Finding for Recovery

On September 19, 2001, former Village Clerk, Susan Barron, obtained a cashier's check from the Oakwood Deposit Bank Company made payable to the North Central Ambulance Sales and Service in the amount of \$35,000.00. This cashier's check, which was submitted to North Central Ambulance Sales and Service, was for the final payment of an invoice for the body of a Braun Ambulance. The balance of the vendor's invoice was \$34,828.48. This resulted in an overpayment of \$171.52. Based on the foregoing facts a Finding for Recovery is hereby issued against Susan Barron, former Clerk of the Village of Oakwood and the Ohio Government Risk Management Plan, holder of the Village's public employee honesty blanket bond, jointly and severally, in the amount of \$171.52 in favor of the Village's Emergency Medical Services Fund.

FINDING NUMBER 2002-002

Finding for Recovery

Village of Oakwood, Ordinance #01-07, states the Village Clerk shall be paid \$18,000 per annum, payable bi-weekly. This calculates to a bi-weekly rate \$692.31. Since taking office on October 8, 2001, through the end of 2001, Village Clerk, Dolly Shisler was paid a biweekly rate of \$750 for five pay periods. This resulted in an overpayment of \$288.45 in 2001.

Village of Oakwood, Ordinance #02-01, states the Village Clerk shall be paid \$18,000 per annum, payable bi-weekly. This calculates to a bi-weekly rate \$692.31. For the first two pay periods of 2002, Village Clerk Dolly Shisler was paid a biweekly rate of \$750. This resulted in an overpayment of \$115.38 in 2002.

Based on the forging facts a Finding for Recovery is hereby issued against Dolly Shisler, Clerk of the Village of Oakwood and the Ohio Government Risk Management Plan, holder of the Village's public employee honesty blanket bond, jointly and severally, in the amount of \$403.83 in favor of the Village's General Fund.

FINDING NUMBER 2002-003

Ohio Revised Code § 5705.10 provides that all money paid into any fund shall be used only for the purpose for which such fund is established.

Furthermore, this code section requires that all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

- The Infrastructure Capital Projects Fund had a deficit balance of \$21,768 at December 31, 2001.
- The Police Levy Special Revenue Fund had a deficit balance of \$15,501 at December 31, 2002.
- In Fiscal Year 2002, \$6,171 in Street Light Assessments was credited to the General Fund, when these revenues should have been credited to the Street Light Special Assessment Special Revenue Fund.

**FINDING NUMBER 2002-003
(Continued)**

Allowing cash from another fund to pay the obligations of deficit funds and improper reporting of revenue could cause management to draw incorrect conclusions regarding its fiscal position. Financial activity should be properly reported in the accounting ledgers so that the Council can better assess whether financial goals are being met on an ongoing basis. As part of the monitoring process Village officials should review financial records to make sure that amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations.

An audit adjustment was made to the Village's 2002 General Fund and Street Light Assessment Fund financial statements to properly record Fiscal Year 2002 Street Light Special Assessments. The Village has posted these adjusted differences to its books of account.

FINDING NUMBER 2002-004

Ohio Revised Code § 5705.41 (D) states 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. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificates: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$1,000 (\$3,000 in 2003), may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Village did not make the proper certification of funds for ninety seven percent of the transactions tested during the audit period. We recommend the Village institute the use of purchase orders for any expenditure to be made and certify expenditures prior to incurring the liability. In instances where prior certification is not practical, we recommend the issuance of a "Then and Now" Certificate

We also noted this matter in the management letter in our audit of the 2000 financial statements.

FINDING NUMBER 2002-005

Ohio Revised Code § 5705.41 (B), prohibits a subdivision from making an expenditure unless it has been properly appropriated.

**FINDING NUMBER 2002-005
 (Continued)**

In 2002, the Village did not approve an annual appropriation resolution. Consequently, none of the expenditures in any fund were appropriated. This resulted in the following funds having expenditures in excess of appropriations in the following amounts at December 31, 2002:

<u>Fund</u>	<u>Disbursements in Excess of Appropriations</u>
<u>General Fund</u>	\$137,150
<u>Special Revenue Funds</u>	
Street Construction Maintenance and Repair Fund	27,331
State Highway Fund	32,879
Police Levy Fund	63,057
Fire Fund	151,392
Emergency Medical Service Fund	97,581
Street Lighting Fund	23,586
<u>Capital Projects Funds:</u>	
Capital Improvement Fund	19,476
Ohio Public Works Commission	5,481
Issue II Fund	18,558
<u>Enterprise Funds:</u>	
Water Fund	77,298
Sewer Fund	167,879
Sewer Reserve Fund	59,525

In addition, there were five other funds in 2002 that had expenditures in excess of appropriations in immaterial amounts.

In 2001, the following funds were found to have expenditures in excess of appropriations at year end in the following amounts:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Disbursements</u>	<u>Variance</u>
<u>Special Revenue Funds</u>			
Fire Fund	\$135,850	\$204,687	(\$68,837)
Emergency Medical Service Fund	70,436	99,203	(28,767)
<u>Capital Projects Funds :</u>			
Infrastructure Fund		21,768	(21,768)
Ohio Public Works Commission	18,858	37,307	(18,449)
<u>Enterprise Funds:</u>			
Water Fund	76,850	85,961	(9,111)
<u>Expendable Trust Fund:</u>			
Fire Insurance Damage Fund		2,240	(2,240)

Allowing expenditures to exceed appropriations could result in deficit spending. The Village should regularly monitor budgets to ensure there are sufficient appropriations to fund anticipated expenditures.

FINDING NUMBER 2002-006

Ohio Revised Code §135.18, states that the Treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. As of February 1, 2002, the Village had a total depository balance of \$547,659 at the Oakwood State Bank when the bank collapsed. No depository agreement between the Village and the bank was in effect at this time. On the date of the bank failure there was total pledged collateral of \$101,103 and federal depository insurance coverage of \$108,748 which provided total security of \$209,851. Consequently, there was \$337,808 in unsecured deposits at February 1, 2002.

In addition to the safeguards provided by Ohio Revised Code Chapter 135, the Village should periodically do the following to help assure its deposits are secure:

- Annually, obtain a statement from the financial institution reporting the institution's total public deposits and the fair value of total collateral pooled to secure public deposits.
- Request the financial institution to obtain a report on agreed upon procedures from their independent accountant as part of their annual audit. The report should follow Chapter 6, *Compliance Attestation* from the American Institute of Certified Public Accountants' Statement on Standards for Attestation Engagements No. 10. The accountant's procedures should include:
 - Comparing public deposits to 105% of the sum of collateral pledged under § 135.181, Ohio Revised Code.
 - Testing the pledged collateral for existence and compliance with § 135.18(B), Ohio Revised Code.
 - Delivering a copy of the independent accountant's agreed-upon procedures report to all public offices using the depository.
- In addition, the Village should annually obtain the financial institution's audited financial statements. Consider the adequacy of the institution's capital and its profitability in recent years. Also consider the type of transactions it undertakes, whether it takes large speculative positions and its management's experience and background.

FINDING NUMBER 2002-007

Village of Oakwood, Ordinance #96-22 Section 13 provides that after administrating fees and other costs relating to the collection of the Village income taxes are deducted from the gross tax collections; that the remaining tax collections shall be allocated as follows: sixty percent to the General Fund and forty percent to the Capital Projects Fund.

In 2002, sixty percent of the gross income tax collections of \$78,870 were allocated to the General Fund and forty percent to the Capital Projects Fund, rather than being apportioned on net income tax collections. All administrative costs related to the collection of income taxes, including salary, benefits, and postage in the total amount of \$3,606 were paid out of the General Fund. This resulted in the Capital Projects Fund receiving a \$1,442 greater allocation than it should have. The financial statements of the General Fund and Capital Projects Fund have been adjusted to properly reflect the allocation of the cost relating to the collection of the Village income tax collections. The Village has posted these adjusted differences to its books of account.

In the future we recommend that all costs relating to the collection of the Village income tax be allocated to the General Fund and the Capital Projects Fund according to the percentages noted in the ordinance.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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 1, 2003**