



Dave Yost • Auditor of State



VILLAGE OF OSGOOD  
DARKE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Village of Osgood, Darke County, (the Village) as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Osgood, Darke County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 8 to the financial statements, during 2011 the Village of Osgood adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 29, 2013

**VILLAGE OF OSGOOD  
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$8,087				\$8,087
Municipal Income Tax	67,049				67,049
Intergovernmental	23,454	\$22,693		\$184,183	230,330
Special Assessments	31,221				31,221
Fines, Licenses and Permits	1,456				1,456
Earnings on Investments	624	6			630
Miscellaneous	23,138				23,138
Total Cash Receipts	<u>155,029</u>	<u>22,699</u>		<u>184,183</u>	<u>361,911</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
Security of Persons and Property	8,265				8,265
Public Health Services	1,897				1,897
Leisure Time Activities	1,073				1,073
Transportation	6,195	4,924			11,119
General Government	41,346				41,346
Capital Outlay				198,393	198,393
<b>Debt Service:</b>					
Principal Retirement			\$54,249	101,532	155,781
Total Cash Disbursements	<u>58,776</u>	<u>4,924</u>	<u>54,249</u>	<u>299,925</u>	<u>417,874</u>
Excess of Receipts Over (Under) Disbursements	<u>96,253</u>	<u>17,775</u>	<u>(54,249)</u>	<u>(115,742)</u>	<u>(55,963)</u>
<b>Other Financing Receipts (Disbursements):</b>					
Transfers In	1,667		54,249	101,532	157,448
Transfers Out	(135,781)	(20,000)		(1,667)	(157,448)
Total Other Financing Receipts (Disbursements)	<u>(134,114)</u>	<u>(20,000)</u>	<u>54,249</u>	<u>99,865</u>	
Net Change in Fund Cash Balances	(37,861)	(2,225)		(15,877)	(55,963)
Fund Cash Balances, January 1	<u>404,929</u>	<u>12,629</u>		<u>15,877</u>	<u>433,435</u>
<b>Fund Cash Balances, December 31:</b>					
Restricted		10,404			10,404
Unassigned	367,068				367,068
Fund Cash Balances, December 31	<u>\$367,068</u>	<u>\$10,404</u>	<u>\$0</u>	<u>\$0</u>	<u>\$377,472</u>

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

**VILLAGE OF OSGOOD  
DARKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$51,973
Total Operating Cash Receipts	51,973
<b>Operating Cash Disbursements:</b>	
Contractual Services	10,038
Supplies and Materials	3,358
Total Operating Cash Disbursements	13,396
Operating Income (Loss)	38,577
<b>Non-Operating Receipts (Disbursements):</b>	
Property and Other Local Taxes	27
Intergovernmental	51,799
Other NonOperating Receipts	150,000
Capital Outlay	(61,239)
Principal Retirement	(41,744)
Total Non-Operating Receipts (Disbursements)	98,843
Net Change in Fund Cash Balances	137,420
Fund Cash Balances, January 1	339,163
Fund Cash Balances, December 31	\$476,583

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

**VILLAGE OF OSGOOD  
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$8,339				\$8,339
Municipal Income Tax	56,102				56,102
Intergovernmental	30,435	\$22,510		\$915,514	968,459
Special Assessments	2,773				2,773
Earnings on Investments	635	33			668
Miscellaneous	3,417				3,417
<b>Total Cash Receipts</b>	<u>101,701</u>	<u>22,543</u>		<u>915,514</u>	<u>1,039,758</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
Security of Persons and Property	7,235				7,235
Public Health Services	1,844				1,844
Leisure Time Activities	4,374				4,374
Transportation		100,808			100,808
General Government	37,954				37,954
Capital Outlay				994,637	994,637
<b>Debt Service:</b>					
Principal Retirement			\$4,173		4,173
<b>Total Cash Disbursements</b>	<u>51,407</u>	<u>100,808</u>	<u>4,173</u>	<u>994,637</u>	<u>1,151,025</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	<u>50,294</u>	<u>(78,265)</u>	<u>(4,173)</u>	<u>(79,123)</u>	<u>(111,267)</u>
<b>Other Financing Receipts (Disbursements):</b>					
Transfers In			4,173		4,173
Transfers Out		(4,173)			(4,173)
Advances In				95,000	95,000
Advances Out	(95,000)				(95,000)
<b>Total Other Financing Receipts (Disbursements)</b>	<u>(95,000)</u>	<u>(4,173)</u>	<u>4,173</u>	<u>95,000</u>	<u>(95,000)</u>
<b>Net Change in Fund Cash Balances</b>	(44,706)	(82,438)		15,877	(111,267)
<b>Fund Cash Balances, January 1</b>	<u>449,635</u>	<u>95,067</u>			<u>544,702</u>
<b>Fund Cash Balances, December 31:</b>					
Restricted		12,629		15,877	28,506
Unassigned	404,929				404,929
<b>Fund Cash Balances, December 31</b>	<u>\$404,929</u>	<u>\$12,629</u>	<u>\$0</u>	<u>\$15,877</u>	<u>\$433,435</u>

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

**VILLAGE OF OSGOOD  
DARKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Earnings on Investments	\$71
Total Operating Cash Receipts	71
<b>Operating Cash Disbursements:</b>	
Contractual Services	2,230
Total Operating Cash Disbursements	2,230
Operating (Loss)	(2,159)
<b>Non-Operating Receipts (Disbursements):</b>	
Intergovernmental	327,881
Other NonOperating Receipts	320,000
Miscellaneous Receipts	3,028
Capital Outlay	(386,379)
Total Non-Operating Receipts (Disbursements)	264,530
Net Change in Fund Cash Balances	262,371
Fund Cash Balances, January 1	76,792
Fund Cash Balances, December 31	\$339,163

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

**VILLAGE OF OSGOOD  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Osgood, Darke County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, and general government services.

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.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

**3. Debt Service Fund**

This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**VILLAGE OF OSGOOD  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**4. Capital Project Fund**

This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**5. Enterprise Funds**

This fund accounts 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 Enterprise Fund:

**Sewer Fund** - This fund receives charges for services from residents to cover sewer service costs.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Non-spendable**

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

VILLAGE OF OSGOOD  
DARKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

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:

	<u>2012</u>	<u>2011</u>
Demand deposits	<u>\$854,055</u>	<u>\$772,598</u>

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

**VILLAGE OF OSGOOD  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

**2012 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 88,698	\$156,696	\$ 67,998
Special Revenue	21,600	22,699	1,099
Debt Service	58,249	54,249	(4,000)
Capital Projects	150,000	285,715	135,715
Enterprise	84,000	253,799	169,799
Total	<u>\$402,547</u>	<u>\$773,158</u>	<u>\$370,611</u>

**2012 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 490,000	\$194,557	\$295,443
Special Revenue	33,700	24,924	8,776
Debt Service	58,249	54,249	4,000
Capital Projects	165,800	301,592	(135,792)
Enterprise	423,000	116,379	306,621
Total	<u>\$1,170,749</u>	<u>\$691,701</u>	<u>\$479,048</u>

**2011 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 80,000	\$ 101,701	\$ 21,701
Special Revenue	21,500	22,543	1,043
Debt Service	4,173	4,173	
Capital Projects	1,890,665	1,010,514	(880,151)
Enterprise	776,792	650,980	(125,812)
Total	<u>\$2,773,130</u>	<u>\$1,789,911</u>	<u>(\$983,219)</u>

**2011 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 529,000	\$ 146,407	\$ 382,593
Special Revenue	116,200	104,981	11,219
Debt Service	4,173	4,173	
Capital Projects	1,967,456	994,637	972,819
Enterprise	776,000	388,609	387,391
Total	<u>\$3,392,829</u>	<u>\$1,638,807</u>	<u>\$1,754,022</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Project Fund by \$135,792 for the year ended December 31, 2012.

**VILLAGE OF OSGOOD  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. PROPERTY TAX**

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

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2012 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Ohio Water Development Authority Loan	\$793,139	0.00%
Total	\$793,139	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant project through the Water Pollution Control Loan Fund ("WPCLF"). The OWDA approved \$834,883 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$20,872, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

<b>Year ending December 31:</b>	<b>OWDA Loan</b>
2013	\$ 20,872
2014	41,744
2015	41,744
2016	41,744
2017	41,744
2018 - 2022	208,720
2023 - 2027	208,720
2028 - 2032	187,851
Total	\$793,139

**6. RETIREMENT SYSTEMS**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

**VILLAGE OF OSGOOD  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**8. CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as required. However, no funds were reclassified as required by the revised fund classification guidance which would affect fund balances previously reported.

**9. LOCAL INCOME TAX**

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

**10. Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Osgood, Darke County, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated October 29, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance and Governmental Fund Type Definitions*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001 through 2012-003 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-002 and 2012-004.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 29, 2013

VILLAGE OF OSGOOD  
DARKE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

**Material Weakness – GASB 54 Classification**

**Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions***, introduced five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned.

The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010 and are applicable to all local governments preparing OCBOA and regulatory statements.

The Village did not implement the requirements of this statement in 2011 nor 2012 therefore; the following adjustments were made to the Village's fund balance classifications and are reflected in the financial statements:

- General Fund balance in 2012 and 2011 of \$367,067 and \$404,929 respectively, were classified as unassigned
- Special Revenue Fund balance in 2012 and 2011 of \$10,404 and \$12,629 respectively, were classified as restricted.
- Capital Projects Fund balance in 2011 of \$15,877 was classified as restricted.

The Village should review and implement requirements noted in GASB 54 and Auditor of State Bulletin 2011-004 and present governmental fund balances in accordance with current guidance.

**Officials' Response:** Village Officials' declined to respond to this finding

FINDING NUMBER 2012-002

**Noncompliance and Material Weakness**

**Ohio Rev. Code Section 5705.14** states, in part, that no transfer shall be made from one fund of a subdivision to any other fund except as follows:

- A) The unexpended balance in a bond fund that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.
- B) The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision. However, if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.

**FINDING NUMBER 2012-002  
(Continued)**

- C)** Except as provided below, the unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund. However, if the transfer is impossible by reason of the nonexistence of the fund to receive the transfer, the unexpended balance may be transferred to any other fund of the subdivision with the approval of the court of common pleas of the county in which such division is located.
- D)** The unexpended balance in any special fund, other than an improvement fund, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.
- E)** Money may be transferred from the general fund to any other fund of the subdivision.

The Village made illegal transfers totaling \$94,000 from Special Revenue Funds to Capital Project Funds in 2011 and From Capital Project Funds to Enterprise Funds totaling \$76,792 in 2011. It was also noted during review of 2011 and 2012 interfund transfers that they were not formally approved by a resolution rather the voucher was approved that was issued for the transfer of funds. The financial statements presented have been adjusted to show proper movement of funds and have classified the expenditures and beginning fund balance properly. These transfers had no impact on the clients underlying manual accounting ledgers fund cash balances.

The Village should review the Ohio Rev. Code prior to making any transfer or advance of funds to ensure they are legal and proper. Additionally, the Village should ensure that all transfers and advances approved be indicated as such in the minutes of the Village.

**Officials' Response:** Village Officials' declined to respond to this finding

**FINDING NUMBER 2012-003**

**Material Weakness – Adjustments and Reclassifications**

The Village's annual financial report for 2011 and 2012, which was prepared on a basis the Auditor of State prescribes or Permits contained the following errors which have been corrected in the presented financial statements:

**2012 Capital Projects Fund**

- Intergovernmental Revenue was understated by \$89,190
- Capital Outlay Expenditures were understated by \$89,190

**2012 Enterprise Fund**

- Charges for Services Revenues were overstated by \$15,000
- Advances Out was overstated by \$15,000
- Special Assessments Revenue was overstated by \$150,000
- Other Non-operating Receipts was understated by \$150,000

**2011 Capital Projects Fund**

- Intergovernmental Revenue was overstated by \$92,135
- Capital Outlay Expenditures were overstated by \$92,135

**FINDING NUMBER 2012-003  
(Continued)**

**2011 Enterprise Fund**

- Intergovernmental Revenues were overstated by \$320,000
- Other Non-operating Receipts were understated by \$320,000

The Village should implement procedures to review their financial statements to improve accuracy and completeness of the statements and to provide for comparative financial statements from year to year. Failure to do so could result in materially misstated financial statements.

**Officials' Response:** Village Officials' declined to respond to this finding

**FINDING NUMBER 2012-004**

**Noncompliance**

**Ohio Rev. Code Section 5705.41(B)** states no subdivision or taxing unit is to expend money unless it has been appropriated. Contrary to this requirement, the Village's Capital Projects Fund at December 31, 2012 had expenditures of \$301,592 in excess of the amounts appropriated of \$165,800, resulting in \$135,792 not being appropriated.

The Village should develop and implement procedures to properly develop and monitor its budgetary expectations relating to appropriations and actual expenditures. Doing so would enable the Village to comply with budgetary requirements while limiting the risk of spending more than is appropriated.

**Officials' Response:** Village Officials' declined to respond to this finding

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**VILLAGE OF OSGOOD  
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-01	<b>Ohio Rev. Code Section 5705.36(A)(2)(3)(4)</b> - Appropriations exceeded estimated resources	Yes	N/A
2010-02	<b>Ohio Admin. Code Section 117-2-02-C(1)</b> - Integration of budgetary data on ledgers	No	Reported in a separate letter to management of the Village.
2010-03	Material Weakness - Classification of Sewer Fund	Yes	N/A
2010-04	Material Weakness- Transfer/Advance Presentation	Yes	Similar issue reported as Finding 2012-002.
2010-05	Material Weakness -Financial Statement Presentation	No	Repeated as Finding 2012-003.

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# Dave Yost • Auditor of State

**VILLAGE OF OSGOOD**

**DARKE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 3, 2013**