



Dave Yost • Auditor of State

VILLAGE OF OAKWOOD
PAULDING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2014	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2013	8
Notes to the Financial Statements	9
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings	21
Schedule of Prior Audit Findings	28

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Oakwood, Paulding County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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 or cash flows of the Village as of December 31, 2014 and 2013, or changes in financial position and cash flows thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

In prior years findings for adjustments were issued to properly reflect 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 December 31, 2014 and 2013 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.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Oakwood, Paulding County, Ohio as of December 31, 2014 and 2013, 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(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2015, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

Columbus, Ohio

August 17, 2015

This page intentionally left blank.

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$7,719	\$36,698		\$44,417
Municipal Income Tax	60,265			60,265
Intergovernmental	30,357	66,401		96,758
Special Assessments		19,787		19,787
Charges for Services		93,647		93,647
Fines, Licenses and Permits	6,701	660		7,361
Earnings on Investments	488	21		509
Refunds	6,196			6,196
Miscellaneous	5,322	76		5,398
<i>Total Cash Receipts</i>	<u>117,048</u>	<u>217,290</u>		<u>334,338</u>
Cash Disbursements				
Current:				
Security of Persons and Property		163,212		163,212
Transportation		22,352		22,352
General Government	60,784	2,415		63,199
Capital Outlay		18,908	\$10,374	29,282
Debt Service:				
Principal Retirement		41,120	18,387	59,507
Interest and Fiscal Charges		5,565	1,172	6,737
<i>Total Cash Disbursements</i>	<u>60,784</u>	<u>253,572</u>	<u>29,933</u>	<u>344,289</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>56,264</u>	<u>(36,282)</u>	<u>(29,933)</u>	<u>(9,951)</u>
Other Financing Receipts (Disbursements)				
Transfers In		35,000	22,310	57,310
Transfers Out	(57,310)			(57,310)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(57,310)</u>	<u>35,000</u>	<u>22,310</u>	
<i>Net Change in Fund Cash Balances</i>	(1,046)	(1,282)	(7,623)	(9,951)
<i>Fund Cash Balances, January 1</i>	<u>56,265</u>	<u>308,802</u>	<u>80,445</u>	<u>445,512</u>
Fund Cash Balances, December 31				
Restricted		307,520		307,520
Committed			72,822	72,822
Unassigned	55,219			55,219
<i>Fund Cash Balances, December 31</i>	<u>\$55,219</u>	<u>\$307,520</u>	<u>\$72,822</u>	<u>\$435,561</u>

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

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$656,049		\$656,049
Fines, Licenses and Permits	625		625
Miscellaneous	2,781		2,781
<i>Total Operating Cash Receipts</i>	<u>659,455</u>		<u>659,455</u>
Operating Cash Disbursements			
Personal Services	90,044		90,044
Contractual Services	157,724		157,724
Supplies and Materials	165,330		165,330
<i>Total Operating Cash Disbursements</i>	<u>413,098</u>		<u>413,098</u>
<i>Operating Income</i>	<u>246,357</u>		<u>246,357</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments (proprietary funds only)	45		45
Sale of Bonds	2,100,000		2,100,000
Issuance Refund	2,700		2,700
Premium and Accrued Interest on Debt	26,899		26,899
Principal Retirement	(1,835,000)		(1,835,000)
Interest and Other Fiscal Charges	(165,589)		(165,589)
Issuance Costs	(112,794)		(112,794)
Other Financing Sources	2,733	\$9,420	12,153
Other Financing Uses	(2,248)	(9,625)	(11,873)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>16,746</u>	<u>(205)</u>	<u>16,541</u>
<i>Income (Loss) before Transfers</i>	263,103	(205)	262,898
Transfers In	4,200		4,200
Transfers Out	(4,200)		(4,200)
<i>Net Change in Fund Cash Balances</i>	263,103	(205)	262,898
<i>Fund Cash Balances, January 1</i>	<u>180,099</u>	<u>\$205</u>	<u>180,304</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$443,202</u></u>		<u><u>\$443,202</u></u>

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

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$7,442	\$34,572		\$42,014
Municipal Income Tax	76,746			76,746
Intergovernmental	31,178	70,094		101,272
Special Assessments		19,323		19,323
Charges for Services		107,941		107,941
Fines, Licenses and Permits	4,789	570		5,359
Earnings on Investments	128	19		147
Insurance Proceeds	17,986	128,861		146,847
Donations	7,000			7,000
Miscellaneous	4,880		\$500	5,380
<i>Total Cash Receipts</i>	<u>150,149</u>	<u>361,380</u>	<u>500</u>	<u>512,029</u>
Cash Disbursements				
Current:				
Security of Persons and Property		148,372		148,372
Transportation		18,340		18,340
General Government	84,076	8,358		92,434
Capital Outlay		156,249	17,557	173,806
Debt Service:				
Principal Retirement		34,010	18,235	52,245
Interest and Fiscal Charges		12,590	1,324	13,914
<i>Total Cash Disbursements</i>	<u>84,076</u>	<u>377,919</u>	<u>37,116</u>	<u>499,111</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>66,073</u>	<u>(16,539)</u>	<u>(36,616)</u>	<u>12,918</u>
Other Financing Receipts (Disbursements)				
Transfers In	1,095	37,648	29,702	68,445
Transfers Out	(64,702)	(3,743)	(2,825)	(71,270)
Other Financing Uses		(14,000)	(1,500)	(15,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(63,607)</u>	<u>19,905</u>	<u>25,377</u>	<u>(18,325)</u>
<i>Net Change in Fund Cash Balances</i>	2,466	3,366	(11,239)	(5,407)
<i>Fund Cash Balances, January 1</i>	<u>53,799</u>	<u>305,436</u>	<u>91,684</u>	<u>450,919</u>
Fund Cash Balances, December 31				
Restricted		308,802		308,802
Committed			80,445	80,445
Assigned	25,118			25,118
Unassigned	31,147			31,147
<i>Fund Cash Balances, December 31</i>	<u>\$56,265</u>	<u>\$308,802</u>	<u>\$80,445</u>	<u>\$445,512</u>

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

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$464,642		\$464,642
Miscellaneous	12,885		12,885
<i>Total Operating Cash Receipts</i>	<u>477,527</u>		<u>477,527</u>
Operating Cash Disbursements			
Personal Services	81,420		81,420
Contractual Services	141,565		141,565
Supplies and Materials	108,963		108,963
<i>Total Operating Cash Disbursements</i>	<u>331,948</u>		<u>331,948</u>
<i>Operating Income</i>	<u>145,579</u>		<u>145,579</u>
Non-Operating Receipts (Disbursements)			
Sale of Notes	1,815,000		1,815,000
Principal Retirement	(1,798,911)		(1,798,911)
Interest and Other Fiscal Charges	(107,689)		(107,689)
Discount on Debt	(20,000)		(20,000)
Issuance Costs	(15,000)		(15,000)
Other Financing Sources	2,211	\$7,242	9,453
Other Financing Uses	(1,839)	(7,242)	(9,081)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(126,228)</u>		<u>(126,228)</u>
<i>Income before Transfers</i>	19,351		19,351
Transfers In	7,025		7,025
Transfers Out	(4,200)		(4,200)
<i>Net Change in Fund Cash Balances</i>	22,176		22,176
<i>Fund Cash Balances, January 1</i>	<u>157,923</u>	<u>205</u>	<u>158,128</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$180,099</u></u>	<u><u>\$205</u></u>	<u><u>\$180,304</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, 2014 AND 2013**

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

The Village participates in the Ohio Plan Risk Management, Inc, 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

The Village values commercial paper and certificates of deposit 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 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

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

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 from charges for services for EMS runs.

3. Capital Project Funds

These funds account 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. 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 Fund:

Natural Gas Bond Fund - This fund received bond anticipation note proceeds in 2013 and then revenue bond proceeds in 2014. Both were used to retire existing debt. The original bond anticipation notes were issued for the construction of the Village's natural gas utility.

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.

Agency funds are purely custodial in nature and are used to hold resources for

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court activity.

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. 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 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.

A summary of 2014 and 2013 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. Nonspendable

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

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

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

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.

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2014	2013
Demand deposits	\$551,618	\$497,816
Certificates of Deposit	128,000	128,000
Total Deposits	679,618	625,816
Commercial Paper	199,145	
Total Deposits and Investments	\$878,763	\$625,816

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

by the financial institution's public entity deposit pool.

Investments: The Village's bond trustee holds the Village's commercial paper in book entry form in the Village's name.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$124,282	\$117,048	(\$7,234)
Special Revenue	267,780	252,290	(15,490)
Capital Projects	29,000	22,310	(6,690)
Enterprise	467,200	2,796,032	2,328,832
Total	\$888,262	\$3,187,680	\$2,299,418

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$149,400	\$118,094	\$31,306
Special Revenue	295,161	253,572	41,589
Capital Projects	39,444	29,933	9,511
Enterprise	2,611,894	2,532,929	78,965
Total	\$3,095,899	\$2,934,528	\$161,371

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$96,546	\$151,244	\$54,698
Special Revenue	399,922	399,028	(894)
Capital Projects	32,900	30,202	(2,698)
Enterprise	380,575	2,301,763	1,921,188
Total	\$909,943	\$2,882,237	\$1,972,294

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$116,460	\$148,778	(\$32,318)
Special Revenue	425,425	395,662	29,763
Capital Projects	36,525	41,441	(4,916)
Enterprise	366,580	2,279,587	(1,913,007)
Total	\$944,990	\$2,865,468	(\$1,920,478)

Contrary to Ohio law, budgetary expenditures exceeded appropriations, posted appropriations did not agree to approved appropriations, and appropriations were not posted for the bond issue deemed appropriated.

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.

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 City of Cleveland Central Collection Agency (CCA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

The funds collected are deposited in the General Fund and disbursed annually after necessary costs of collecting, administering and enforcing the provisions of the tax, forty percent to the Capital Improvements Fund and sixty percent to the General Fund.

6. Debt

Debt outstanding at December 31, 2014 was as follows:

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

	<u>Principal</u>	<u>Interest Rate</u>
Natural Gas Distribution System Revenue Bonds	\$2,100,000	5-5.8%
Rural Economic and Community Development Service Loan	805,385	4.88%
Ohio Water Development Authority Loan	18,247	5.77%
Ohio Public Works Commission Loans	146,013	0.00%
Fire Station Construction Loan	286,502	2.14%
Total	<u><u>\$3,356,147</u></u>	

During 2014, the Village issued \$2,100,000 in Revenue Bonds to retire bond anticipation notes maturing in 2013. The original bond anticipation notes were used to finance the construction of a natural gas distribution system. The Village will begin making semiannual principal payments in 2015 from the revenues of the natural gas system. The last payment is scheduled for April 2034.

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 receipts. Contrary to the debt agreement with OWDA, operating receipts in 2013 were not adequate to provide for payments required to remit the debt obligations.

The Village has the following six 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 fifth loan relates to Village street improvement projects on Second and Estel Streets. The loan will be repaid in semiannual installments of \$562, with the loan maturing on July 1, 2031. The loan is collateralized by local tax receipts.

The sixth loan relates to a Village storm sewer improvement project on First Street. The loan will

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

be repaid in semiannual installments of \$522, with the loan maturing on July 1, 2032. The loan is collateralized by local tax receipts.

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.

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

Year ending December 31:	Natural Gas Distribution System Revenue Bonds	RECDS Loan	OWDA Loan	OPWC Loans	Fire Station Construction Loan
2015	\$143,195	\$60,265	\$3,919	\$16,683	\$46,685
2016	146,570	60,241	3,919	16,683	46,685
2017	149,695	60,168	3,919	14,987	46,686
2018	157,445	61,047	3,919	13,290	46,685
2019	164,695	60,829	3,919	13,290	46,685
2020-2024	883,850	303,009	1,960	35,640	74,284
2025-2029	959,500	304,741		27,937	
2030-2034	954,173	306,359		7,503	
2035-2039		111,837			
Total	<u>\$3,559,123</u>	<u>\$1,328,496</u>	<u>\$21,555</u>	<u>\$146,013</u>	<u>\$307,710</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. OP&F participants contributed 10% of their wages up through June 30, 2013, then 10.75% between July 1, 2013 and June 30, 2014, and then 11.50% starting July 1, 2014. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2013, 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, 2014.

8. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

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.

OPRM coverage programs 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 retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan’s property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

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.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014.

	2013	2014
Assets	<u>\$13,774,304</u>	<u>\$14,830,185</u>
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members’ Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

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

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

9. Interfund Transfers

During 2014 the following transfers were made:

		Transfers Out		
		General	Sewer	Total
Transfers In	Governmental Funds:			
	Special Revenue:			
	Police	\$35,000		\$35,000
	Capital Project:			
	Capital Improvement	22,310		22,310
	Proprietary Funds:			
	Enterprise:			
Sewer Reserve		\$4,200	4,200	
	Total	\$57,310	\$4,200	\$61,510

During 2013 the following transfers were made:

		Transfers Out					Total
		General	SCMR	State Highway	Natural Gas Construction	Sewer	
Transfers In	Governmental Funds:						
	General		\$1,095				\$1,095
	Special Revenue:						
	Police	\$35,000					35,000
	State Highway			\$2,648			2,648
	Capital Project:						
	Capital Improvement	29,702					29,702
	Proprietary Funds						
	Enterprise:						
	Sewer Reserve					\$4,200	4,200
Natural Gas				\$2,825		2,825	
	Total	\$64,702	\$1,095	\$2,648	\$2,825	\$4,200	\$75,470

Transfers are used to move unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



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

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 Oakwood, Paulding County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated August 17, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the fund balances reported in the financial statements are not accurate due to the Village not recording prior audit adjustments.

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 2014-001 through 2014-005 and 2014-007 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 2014-005 through 2014-008.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

August 17, 2015

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Material Weakness – Prior Years’ Findings for Adjustments

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 Rev. §§ 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, 2012 were misstated by the following amounts:

Fund	Fund Balance Understatement/ (Overstatement)
General Fund	(\$16,665)
 Special Revenue Funds:	
Street Construction Maintenance and Repair Fund	\$3,051
State Highway Fund	4,611
Parks and Recreation Fund	(506)
Police Levy Fund	13,000
Fire Levy Fund	(50,782)
EMS Levy Fund	(13,878)
Street Lighting Fund	10,013
Enforcement and Education Fund	(34)
Indigent Driver Fund	(33)
Mayor Court Computer Fund	(2)
Total Special Revenue Funds	\$(34,560)
 Capital Project Fund:	
Capital Improvement Fund	\$(3,924)
 Enterprise Funds:	
Water Fund	\$(1,757)
Water Deposit Fund	(52)
Sewer Fund	49,516
Sewer Reserve Fund	4,761
Sewer Bond Retirement Fund	2,681
Total Enterprise Funds	\$55,149

We recommend the Village record the adjustments to the Village's accounting records for the differences in fund balances listed above.

Officials' Response:

Adjustments from 2002 have not been adjusted yet by the Village. We will adjust in increments when the Village becomes able to.

FINDING NUMBER 2014-002

Material Weakness - Financial Reporting

Accurate financial reporting is the responsibility of Village management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The Village lacked a policy regarding financial review which contributed to material posting discrepancies such as the following, occurring without detection:

- In 2014 and 2013, street lighting special assessments were incorrectly posted as tax revenues in the amount of \$19,787 and \$19,323 respectively.
- As of December 31, 2013, \$25,118 of assigned fund balance was not properly classified per Government Accounting Standards Board No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, resulting in assigned fund balance being understated and unassigned fund balance being overstated in the General Fund.
- The rollover of debt in 2013 for the amount \$1,815,000 in the Natural Gas Fund was not posted. This resulted in bond proceeds of \$1,815,000, discount on issuance of \$20,000, note proceeds of \$15,000, and debt principal for the retired debt of \$1,780,000 being understated in the Natural Gas Bond Fund.
- As noted in Finding 2014-007, the refinancing of debt in 2014 in the amount of \$2,100,000 was not posted. This resulted in bond proceeds of \$1,900,895, premium on issuance of \$26,899, issuance cost of \$112,796, and debt principal for the retired debt of \$1,815,000 being understated in the Natural Gas Bond Fund. In addition, \$199,105 of bond proceeds was understated in the Natural Gas Reserve Fund.

Adjusting entries were posted to the financial statements and the Village's financial records to correct these and other errors, in amounts up to \$2,100,000.

To ensure the Village's financial statements and notes to the statements are complete and accurate, Council should adopt policies and procedures, including a final review of the financial statements, and notes to the financial statements to identify and correct errors and omissions.

Officials' Response:

Adjusting entries were posted by the Village.

FINDING NUMBER 2014-003

Material Weakness – Natural Gas Utility Records

The Village receives charges for service revenue for providing natural gas to its customers. The Village has contracted with Legacy Pipeline to process these billings and collections. The master energy service agreement, dated July 25, 2011, requires Legacy Pipeline to provide accounting services, including, but not limited to maintaining all books and records.

Legacy Pipeline could not provide for audit and had not provided to the Village throughout the audit period:

- Monthly and year end account receivable reports showing outstanding customer account balances (regular charges plus late fees) for 2013 or 2014,
- Monthly and year end noncash adjustment reports showing individual and/or total noncash entries made to customer accounts for 2013 or 2014.

In addition, Legacy Pipeline did not provide the Village the monthly billing registers, meter sheets, and billing and collected reports on a timely basis.

The master energy service agreement does not specify which monthly monitoring reports will be provided. These items are all necessary for the Village to monitor its natural gas utility collections and billings, and provide necessary information to sufficiently document the billing procedures performed by Legacy Pipeline. Lack of retaining and providing these documents could result in errors and discrepancies to occur and not be detected by the Village.

We recommend the following, at a minimum, be produced by Legacy Pipeline and provided to the Village monthly. This will document procedures performed by Legacy Pipeline, allow the Village to monitor billings and collections, and give the Village the necessary information to actively pursue collection on delinquent accounts:

- Monthly billing registers and meter sheets;
- Monthly and year to date aged account receivable;
- Monthly and year to date noncash adjustment report; and
- Monthly and year to date report showing totals billed and collected.

Officials' Response:

The Village is meeting with Legacy Pipeline to change the natural gas billing program.

FINDING NUMBER 2014-004

Material Weakness - Budgeted Receipts Posted

The Fiscal Officer did not always post budgeted receipts as listed on the Certificate of Estimated Resources. Failure to post correct budget amounts could inhibit Council's ability to monitor revenue activity. We noted difference between correct and posted amounts in the following funds:

	<u>Posted Budgeted Receipts</u>	<u>Estimated Receipts</u>	<u>Variance</u>
<u>As of December 31, 2014</u>			
General Fund	\$117,048	\$124,282	(\$7,234)
EMS Fund	86,575	97,200	(10,625)
Capital Improvement Fund	22,310	29,000	(6,690)
Natural Gas Fund	428,753	250,000	178,753

	<u>Posted Budgeted Receipts</u>	<u>Estimated Receipts</u>	<u>Variance</u>
<u>As of December 31, 2013</u>			
General Fund	\$138,929	\$96,546	\$42,383
EMS Fund	85,485	115,000	(29,515)
Capital Improvement Fund	30,202	32,900	(2,698)
Natural Gas Fund	284,339	185,000	99,339

These errors were not identified and corrected prior to the audit due to deficiencies in the Village's financial statement monitoring. Council should develop policies and implement procedures to assure that all budgeted receipts posted agree to the certificate of estimated resources. The budgetary note disclosure has been adjusted to reflect the correct amounts.

Officials' Response:

An Amended Certificate of Estimated Resources was applied for and issued by the County Auditor in January of the following year.

FINDING 2014-005

Material Weakness and Noncompliance Citation

Ohio Rev. Code § 5705.40 provides that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriations. Testing showed the legally adopted appropriations varied with the appropriations posted by the Fiscal Officer by the following amounts in the following funds:

	<u>Posted Appropriations</u>	<u>Approved Appropriations</u>	<u>Variance</u>
<u>As of December 31, 2014</u>			
General Fund	118,094	149,400	(\$31,306)
EMS Fund	85,100	119,985	(34,885)
Capital Improvement Fund	29,933	36,618	(6,685)
Natural Gas Fund	384,900	308,773	76,127
 <u>As of December 31, 2013</u>			
General Fund	148,778	116,460	32,318
EMS Fund	81,159	128,290	(47,131)
Capital Improvement Fund	38,616	36,525	2,091
Natural Gas Fund	259,171	152,400	106,771

These errors were not identified and corrected prior to the audit due to deficiencies in the Village's financial statement monitoring. Adjusting entries were posted to the notes to the financial statements to correct these errors.

We recommend the Fiscal Officer only post appropriations that have been formally adopted by Council in the minutes and prior to year end.

Officials' Response:

We mistakenly thought we could adopt supplemental appropriations in January of the following year.

FINDING 2014-006

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) provides no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

Actual expenditures plus encumbrances at fiscal year-end exceeded approved appropriations in the following funds by the amounts shown.

	<u>Approved Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<u>As of December 31, 2014</u>			
Natural Gas Fund	\$308,773	\$384,900	(\$76,127)
 <u>As of December 31, 2013</u>			
General Fund	116,460	148,778	(32,318)
Capital Improvement Fund	36,525	38,616	(2,091)
Natural Gas Fund	152,400	259,171	(106,771)

Council allowing expenditures to exceed appropriations could result in deficit spending. These errors were not identified and corrected prior to the audit due to deficiencies in the Village's financial statement monitoring.

The Village's management officials should regularly monitor budgets to make sure there are sufficient appropriations to fund anticipated expenditures.

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

Officials' Response:

We mistakenly thought we could adopt supplemental appropriations in January of the following year.

FINDING 2014-007

Material Weakness and Noncompliance Citation

Recording and Budgeting the Refinancing of Debt

Sound accounting practices require debt transactions to be posted to the Village's ledgers. Furthermore, **Ohio Rev. Code § 5705.41(A)** provides the authorization of a bond issue is deemed an appropriation of the bond proceeds for the purpose for which the bonds were issued, eliminating the need for Council to approve a formal appropriation for these monies, however, this section does require the Fiscal Officer to record the appropriation.

In 2014 the Village issued bonds in the amount of \$2,100,000 with a \$26,899 premium and \$112,794 of issuance cost, to refinance debt and pay off the previously issued bond anticipation notes of \$1,815,000. The Fiscal Officer did not record this activity in the accounting system. In addition, appropriations for this activity were not recorded. Since the Village is required to record the appropriation they should also request the amount be included on the certificate of estimated resources received from the county budget commission to enhance the Villages monitoring of financial activity. These errors were not identified and corrected prior to the audit due to deficiencies in the Village's financial statement monitoring. The accompanying financial statements and notes to the financial statements, as well as the Village's accounting records, were adjusted to reflect the amounts in the Enterprise Funds in 2014.

To account for the appropriations for bond issuance monies, we recommend the Fiscal Officer record the appropriation on the appropriations ledger and request the amount be included on the certificate of estimated resources.

Officials' Response:

When issuing debt in the future, the appropriations will be recorded.

FINDING 2014-008

Noncompliance Citation

Ohio Water Development Authority (OWDA) Cooperative Agreement for Construction, Maintenance and Operation of State Water Project 4.3(a) provides the Village will prescribe and charge such rates for the services of the water system which shall result in pledged revenues at least adequate to provide for payments required to remit its debt obligation payments to OWDA. The agreement provides that pledged revenues are revenues derived from the operation of the water system, net of costs of operating and maintaining the system.

The Village's Water Fund had an operating loss of \$796 in 2013. Therefore, water charges were not adequate to provide for the Village's OWDA debt payment of \$3,919 in 2013. In 2014 and 2013, The Village used income tax revenues, from the Capital Improvement fund, to meet its OWDA debt obligations in 2014 and 2013. This error was not identified and corrected prior to the audit due to deficiencies in the Village's financial statement monitoring.

We recommend Council review the Village's water operations in order to determine if additional rate increases are needed to generate an adequate amount of revenues to provide for payments to meet its debt obligation to OWDA.

Officials' Response:

Water rate increase went into effect January 1, 2014. The Village pays OWDA debt obligations out of the Capital Improvement Fund, regardless of the Water Fund having an operating loss or profit.

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Material weakness regarding failure to post prior years audit adjustments.	No	Not corrected. Reissued as Finding 2014-001 in this report.
2012-002	Material weakness regarding financial reporting due to errors on financial statements.	No	Not Corrected. Reissued as finding 2014-002 in this report.
2012-003	Noncompliance citation of Village Ordinance 96-22 regarding distribution of income tax revenues.	Yes	
2012-004	Material weakness regarding fund balance classification.	No	Not Corrected. Reissued as finding 2014-002 in this report.
2012-005	Noncompliance citation of OWDA Cooperative Agreement regarding fund making payment on debt obligation.	No	Not Corrected. Repeated as finding 2014-008 in this report.



Dave Yost • Auditor of State

VILLAGE OF OAKWOOD

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 10, 2015**