

VILLAGE OF OAKWOOD

PAULDING COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Honorable Mayor and Village Council
Village of Oakwood
228 North First Street
P.O. Box 457
Paulding, Ohio 45873-0457

We have reviewed the *Report of Independent Accountants* of the Village of Oakwood, Paulding County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Oakwood is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 25, 2006

This Page is Intentionally Left Blank.

VILLAGE OF OAKWOOD
PAULDING COUNTY, OHIO
Audit Report
For the Year ended December 31, 2004

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1-2
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004	3
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types and Similar Fiduciary Funds- For the Year Ended December 31, 2004	4
Notes to the Financial Statements	5-12
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13-14
Schedule of Findings	15-17
Schedule of Prior Audit Findings	18

This Page is Intentionally Left Blank.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Honorable Mayor and the Village Council
Village of Oakwood
228 North First Street
P.O. Box 457
Paulding, Ohio 45873-0457

We have audited the accompanying financial statements of the Village of Oakwood (Village), as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

During 2004, the Village did not reconcile their book balances per their banks to the Village records. In December 2004, the Village made an adjustment in the amount of \$111,237 in the General Fund (35.6% of all General Fund disbursements) in order for the book balances to equal the Village's balances. However, an adjustment was not made in the Special Revenue, Proprietary or Agency funds. Also, adequate documentation could not be provided to support this adjustment.

During 2002, the Village's depository institution collapsed. The Village had \$337,808 in unsecured collateral at the time of the collapse and the Village was unable to fully recover their assets from the depository institution. The Village did not make an adjustment in 2003 financial statements to reflect this loss. As a result, the January 1, 2004 and December 1, 2004 cash balances are misstated.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding four paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, because of the effects of the matters discussed in the fourth and fifth paragraphs, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1, the combined fund cash balances of the Village of Oakwood, Paulding County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 23, 2006 on consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal controls over financial reporting or on the compliance, that the report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. The report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should be read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
January 23, 2006

VILLAGE OF OAKWOOD
 PAULDING COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2004

	Governmental Fund Types			(Memorandum)
	General	Special Revenue	Capital Projects	Only) Total
CASH RECEIPTS:				
Property Tax and Other Local Taxes	\$ 87,799	\$ 61,868	\$ 43,538	\$ 193,205
Intergovernmental Receipts	11,161	98,613	-	109,774
Charges for Services	-	128,214	-	128,214
Fines, Licenses, and Permits	65	1,334	-	1,399
Earnings on Investments	314	-	-	314
Miscellaneous	5,619	36,942	-	42,561
Total Cash Receipts	104,958	326,971	43,538	475,467
CASH DISBURSEMENTS:				
Current:				
Security of Persons and Property	-	129,394	-	129,394
Leisure Time Activities	-	6,145	-	6,145
Transportation	-	26,005	-	26,005
General Government	102,337	2,408	-	104,745
Capital Outlay	6,516	135,604	14,378	156,498
Debt Service:				
Principal Payments	-	-	8,492	8,492
Interest Payments	-	-	3,130	3,130
Total Cash Disbursements	108,853	299,556	26,000	434,409
Cash Receipts Over/(Under) Cash Disbursements	(3,895)	27,415	17,538	41,058
Other Financing Sources (Uses):				
Other Financing Uses	(111,237)	-	-	(111,237)
Transfers In	-	28,500	-	28,500
Transfers Out	(85,500)	-	-	(85,500)
Total Other Financing Sources (Uses)	(196,737)	28,500	-	(168,237)
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	(200,632)	55,915	17,538	(127,179)
Fund Cash Balance, January 1, 2004	243,401	48,930	32,183	324,514
Fund Cash Balance, December 31, 2004	\$ 42,769	\$ 104,845	\$ 49,721	\$ 197,335

See Accompanying Notes to the Financial Statements

VILLAGE OF OAKWOOD
PAULDING COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2004

	Proprietary Fund Types	Fiduciary Fund Types	(Memorandum Only) Total
	Enterprise	Agency	
OPERATING CASH RECEIPTS:			
Fines, Permits, and Fees	\$ 275	-	\$ 275
Charges for Services	171,468	-	171,468
Miscellaneous	984	-	984
Total Operating Cash Receipts	172,727	-	172,727
OPERATING CASH DISBURSEMENTS:			
Personal Services	46,177	-	46,177
Transportation	640	-	640
Supplies and Materials	21,553	-	21,553
Contractual Services	27,322	-	27,322
Total Operating Cash Disbursements	95,692	-	95,692
Operating Income (Loss)	77,035	-	77,035
NON OPERATING CASH RECEIPTS (DISBURSEMENTS)			
Debt Service:			
Principal Payment	(39,165)	-	(39,165)
Interest Payment	(47,843)	-	(47,843)
Other Non-Operating Cash Receipts	2,597	\$ 3,498	6,095
Other Non-Operating Cash Disbursements	(617)	(7,449)	(8,066)
Total Non Operating Cash Receipts (Disbursements) Before Transfers	(85,028)	(3,951)	(88,979)
Transfers In	57,000	-	57,000
Excess of Cash Receipts Over/(Under) Cash Disbursements	49,007	(3,951)	45,056
Fund Cash Balance, January 1, 2004	81,706	8,593	90,299
Fund Cash Balance, December 31, 2004	\$ 130,713	\$ 4,642	\$ 135,355

See Accompanying Notes to the Financial Statements

VILLAGE OF OAKWOOD
PAULDING COUNTY, OHIO

Notes To The Financial Statements
For The Year Ended December 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

The Village of Oakwood, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Village Council. The Village provides general governmental services including police, EMS services and fire protection, road maintenance, utilities (water and sewer) and park operations (leisure time activities).

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

B. **BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.)

These statements include adequate disclosure of material matters, as prescribed by the Auditor of State.

C. **CASH AND INVESTMENTS**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investments purchases or receipts for investments sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposits at cost.

D. **FUND ACCOUNTING**

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

1. **General Fund**

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

VILLAGE OF OAKWOOD
PAULDING COUNTY, OHIO

Notes To The Financial Statements
For The Year Ended December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

2. Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund – This fund receives gasoline and motor vehicle tax money for construction, maintenance and repairing of Village streets.

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

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

EMS Levy Fund-This fund receives revenue from property taxes to provide EMS services to residents of the Village. Additional revenues are derived from EMS contracts with surrounding Villages and Townships to provide EMS services to their residents and charges for services for EMS runs.

3. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects funds:

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

4. Enterprise Funds

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

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

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

VILLAGE OF OAKWOOD
PAULDING COUNTY, OHIO

Notes To The Financial Statements
For The Year Ended December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Sewer Bond Retirement Fund- This fund receives charges for services from resident to retire a Rural Economic and Community Development Services loan.

5. Agency Funds

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant agency funds:

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

Fire Insurance Claim Fund- This fund is used to hold a portion of the insurance money received by the Village residents due to claims for fire damage. The Village holds a portion of the proceeds until the property is cleaned up.

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 or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

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

The Village did not use the encumbrance method of accounting in 2004.

VILLAGE OF OAKWOOD
PAULDING COUNTY, OHIO

Notes To The Financial Statements
For The Year Ended December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>
Demand Deposits	\$387,357
Certificates of Deposit	8,713
Cash on Hand	<u>100</u>
Total	<u>\$396,170</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by the financial institution's public entity deposit pool.

The ending cash balances do not equal the ending book balances. The Village did not make audit adjustments required from the 2001-2002 audit.

**VILLAGE OF OAKWOOD
PAULDING COUNTY, OHIO**

**Notes To The Financial Statements
For The Year Ended December 31, 2004**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 is as follows:

<u>2004 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$335,636	\$104,958	\$(230,678)
Special Revenue	312,408	355,471	43,062
Capital Projects	89,758	43,538	(46,219)
Enterprise	<u>200,546</u>	<u>232,323</u>	<u>31,777</u>
Total	<u>\$938,348</u>	<u>\$736,290</u>	<u>\$(202,058)</u>

<u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
General	\$111,320	\$305,590	\$(194,270)
Special Revenue	222,229	299,556	(77,327)
Capital Projects	26,050	26,000	50
Enterprise	<u>209,400</u>	<u>183,317</u>	<u>26,083</u>
Total	<u>\$568,999</u>	<u>\$814,463</u>	<u>\$(245,464)</u>

4. PROPERTY TAX

Real property becomes a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

VILLAGE OF OAKWOOD
PAULDING COUNTY, OHIO

Notes To The Financial Statements
For The Year Ended December 31, 2004

5. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries during the year. The Village has paid all contributions required through December 31, 2004.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004, OP&F members contributed 10% of their wages. The Village contributed an amount equal to 19.5% and 24% respectively for police officers and firefighters of participants' gross salaries during the year. The Village has paid all contributions required through December 31, 2004.

6. LOCAL INCOME TAX

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

Employers within the Village withhold income tax on employee compensation and remit tax to the Village either monthly, quarterly or as required. Corporation and individual taxpayers pay estimated taxes quarterly and file a declaration annually.

7. DEBT

Debt outstanding as of December 31, 2004:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$39,796	5.77%
Ohio Public Works Commission Loan	123,246	0.00%
Rural Economic and Community Development Services Loan	<u>969,385</u>	4.88%
Total	<u>\$1,132,427</u>	

The Ohio Water Development Authority (OWDA) loan related to water plant filtration project that was mandated by the Ohio Environmental Protection Agency. The loan will be paid in semiannual installments of \$1,960 including interest over 20 years. The loan is collateralized by water and sewer receipts. After the collapse of the Village's depository in 2002 and the subsequent loss of Village funds, OWDA restructured the terms of the loan with the Village.

The Ohio Public Works Commission (OPWC) loan related to water plant filtration project that was mandated by the Ohio Environmental Protection Agency. The loan will be paid in semiannual installments of \$3,851 including interest over 20 years. The loan is collateralized by water and sewer receipts.

**VILLAGE OF OAKWOOD
PAULDING COUNTY, OHIO**

**Notes To The Financial Statements
For The Year Ended December 31, 2004**

7. DEBT - (continued)

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

Year Ended <u>December 31:</u>	OWDA <u>Loan</u>	OPWC <u>Loan</u>	RECDS <u>Loan</u>
2005	\$3,919	\$7,703	\$60,260
2006	3,919	7,703	59,485
2007	3,919	7,703	60,260
2008	3,919	7,703	60,626
2009	3,919	7,703	59,943
Subsequent	<u>41,150</u>	<u>84,731</u>	<u>1,631,177</u>
 Total	 <u>\$59,502</u>	 <u>\$123,246</u>	 <u>\$1,932,281</u>

In prior years, the Village entered into a capital lease agreement with General Motors Acceptance Corporation (GMAC) for the lease/purchase of a new dump truck. The payment schedule is three years (\$13,306 due annually) and at the end of the lease, the Village has the option of purchasing the truck for \$1.00.

8. RISK MANAGEMENT

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverage and reinsures these coverage's 100% rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

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

9. CONTINGENT LIABILITIES

The Village may be a defendant in various lawsuits. Although, the outcome of the lawsuits is not presently determinable, in the opinion of legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

VILLAGE OF OAKWOOD
PAULDING COUNTY, OHIO

Notes To The Financial Statements
For The Year Ended December 31, 2004

10. LEGAL COMPLIANCE

Contrary to Ohio Revised Code Section 5705.39, the Village had appropriations exceeding total estimated resources in 2004 in the following funds: Police Levy Fund, Street Maintenance Fund, Mayor's Court Computer Fund and Sewer Fund.

Contrary to Ohio Revised Code Section 5705.41 (D), no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The Village does not use purchase orders. Also, the Village does not use encumbrances.

Ohio Revised Code Section 5705.41 (B), prohibits a subdivision from making expenditures unless they have been appropriated. In 2004, the following funds had expenditures exceeding appropriations: General Fund, State Highway Fund, Parks & Recreation Fund, Fire Levy Fund and EMS Levy Fund.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland, OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and the Village Council
Village of Oakwood
228 North First Street
P.O. Box 457
Oakwood, Ohio 45873-0457

We have audited the financial statements of the Village of Oakwood, Paulding County, Ohio (Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated January 23, 2006, wherein we opined the financial statements were not fairly presented since the Village declined to adjust its financial statements or accounting records for disbursements not recorded in the proper fund type from the December 31, 2002 and 2001 audit. These adjustments still result in a material misstatement of General, Special Revenue, Proprietary and Agency Funds cash balances as of January 1, 2004 and December 31, 2004. Also, the Village was unable to provide adequate documentation for a large reconciling adjustment. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2004-OAKPC-04.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration on the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

We also, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated January 23, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-OAKPC-01 through 2004-OAKPC-03. We also noted certain additional matters that we have reported to management in a separate letter dated January 23, 2006.

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

Charles E. Harris & Associates, Inc.
January 23, 2006

VILLAGE OF OAKWOOD
PAULDING COUNTY

SCHEDULE OF FINDINGS
December 31, 2004

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

FINDING NUMBER 2004-OAKPC-01

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

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

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

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The Village may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

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

VILLAGE OF OAKWOOD
PAULDING COUNTY

SCHEDULE OF FINDINGS - CONTINUED
December 31, 2004

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

FINDING NUMBER 2004-OAKPC-01 – CONTINUED

Management has continued the practice of not using purchase orders. They plan on obtaining Village Council approval for large dollar amount purchases.

FINDING NUMBER 2004-OAKPC-02

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated unless it has been appropriated as provided in such chapter.

During the year ended December 31, 2004, the following funds' expenditures exceeded total appropriations:

General Fund (\$194,270)

Special Revenue Funds

State Highway (\$97)

Parks and Recreation (\$14,457)

EMS Levy (\$11,841)

Fire Levy (\$74,227)

The Village should monitor appropriations versus expenditures to help avoid overspending. Management agrees and will monitor appropriations and expenditures.

FINDING NUMBER 2004-OAKPC-03

Ohio Rev. Code Section 5705.39 states in part that total appropriations from each fund shall not exceed total estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During the year ended December 31, 2004, the following funds' appropriations exceeded total estimated resources:

Special Revenue Funds

Street Maintenance (\$31,146)

Police Levy (\$29,296)

Mayor's Court Computer (\$646)

Enterprise Fund

Sewer Fund (\$11,289)

The Village should monitor appropriations versus estimated resources to help avoid overspending. Management agrees and will monitor appropriations.

VILLAGE OF OAKWOOD
PAULDING COUNTY

SCHEDULE OF FINDINGS - CONTINUED
December 31, 2004

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

FINDING NUMBER 2004-OAKPC-04

Material Weakness

A necessity in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records agree. A bank reconciliation means accounting for the differences between the balances on the bank statement(s) and the cash and investment balances according to the entity's records. This process involves reconciling the bank balance to the cash and investment balance. For all of 2004, the Village did not reconcile their bank accounts.

Without complete and accurate monthly bank reconciliations, the Village's internal control is weakened, which could hinder the detection of errors or irregularities by the Village's management in a timely manner.

The Village should perform monthly bank reconciliations in a timely manner. Also, a copy of each monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month, and the Village Council should sign and date the bank reconciliations to indicate that they have been reviewed.

Management has begun to perform monthly bank reconciliations.

**VILLAGE OF OAKWOOD
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2004**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-OAKPC-01	Proper certification of funds prior to disbursement	No	Not Corrected-See Finding 2004-OAKPC-01
2003-OAKPC-02	Disbursements in excess of appropriations	No	Not Corrected-See 2004-Finding OAKPC-02
2003-OAKPC-03	Appropriations in excess of estimated resources	No	Not Corrected-See 2004-OAKPC-03
2003-OAKPC-04	Bank reconciliations not performed	No	Not Corrected-See 2004-OAKPC-04



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF OAKWOOD

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 08, 2006**