



Dave Yost • Auditor of State

VILLAGE OF OSGOOD
DARKE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Proprietary Fund Type - For the Year Ended December 31, 2010.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	7
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Proprietary Fund Type - For the Year Ended December 31, 2009.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17

This page intentionally left blank.



Dave Yost • Auditor of State

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

To the Village Council:

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

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

Dave Yost
Auditor of State

October 5, 2011

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Osgood, Darke County, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position or cash flows, where applicable of the Village as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Osgood, Darke County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As disclosed in Note 9, the Village restated the beginning balance in the Sewer Fund and Capital Project Fund.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 5, 2011

**VILLAGE OF OSGOOD
DARKE COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Local Taxes	\$8,812			\$8,812
Municipal Income Tax	50,859			50,859
Intergovernmental	32,081	\$22,087		54,168
Special Assessments	203			203
Earnings on Investments	575	100		675
Miscellaneous	3,933			3,933
Total Cash Receipts	<u>96,463</u>	<u>22,187</u>		<u>118,650</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	7,127			7,127
Public Health Services	1,824			1,824
Transportation		3,940		3,940
General Government	27,219			27,219
Debt Service:				
Redemption of Principal			\$4,173	4,173
Total Cash Disbursements	<u>36,224</u>	<u>3,940</u>	<u>4,173</u>	<u>44,337</u>
Total Receipts Over/(Under) Disbursements	<u>60,239</u>	<u>18,247</u>	<u>(4,173)</u>	<u>74,313</u>
Other Financing Receipts / (Disbursements):				
Transfers-In			4,173	4,173
Transfers-Out		(4,173)		(4,173)
Advances-In	51,596			51,596
Total Other Financing Receipts / (Disbursements)	<u>51,596</u>	<u>(4,173)</u>	<u>4,173</u>	<u>51,596</u>
Excess of Cash Receipts and Other Financing Receipts Over/ Cash Disbursements and Other Financing Disbursements	111,835	14,074		125,909
Fund Cash Balances, January 1	<u>337,782</u>	<u>80,994</u>		<u>418,776</u>
Fund Cash Balances, December 31	<u>\$449,617</u>	<u>\$95,068</u>	<u>\$0</u>	<u>\$544,685</u>

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

**VILLAGE OF OSGOOD
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Interest	\$199
Miscellaneous	3,028
Total Operating Cash Receipts	3,227
Non-Operating Cash Receipts:	
Intergovernmental	2,607,242
Other Debt Proceeds	400,000
Total Non-Operating Cash Receipts	3,007,242
Non-Operating Cash Disbursements:	
Capital Outlay	2,925,518
Total Non-Operating Cash Disbursements	2,925,518
Excess of Receipts Over Disbursements Before Interfund Advances	84,951
Advances-Out	(51,596)
Net Receipts Over Disbursements After Interfund Advances	33,355
Fund Cash Balance, January 1	43,436
Fund Cash Balance, December 31	\$76,791

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

**VILLAGE OF OSGOOD
DARKE COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Local Taxes	\$8,969			\$8,969
Municipal Income Tax	12,377			12,377
Intergovernmental	31,311	\$21,966		53,277
Special Assessments	203			203
Earnings on Investments	1,280	260		1,540
Miscellaneous	10,254			10,254
Total Cash Receipts	<u>64,394</u>	<u>22,226</u>		<u>86,620</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	6,777			6,777
Public Health Services	1,833			1,833
Leisure Time Activities	3,631			3,631
Transportation		3,936		3,936
General Government	30,163			30,163
Debt Service:				
Redemption of Principal			\$4,173	4,173
Total Cash Disbursements	<u>42,404</u>	<u>3,936</u>	<u>4,173</u>	<u>50,513</u>
Total Receipts Over/(Under) Disbursements	21,990	18,290	(4,173)	36,107
Other Financing Receipts / (Disbursements):				
Transfers-In			4,173	4,173
Transfers-Out		(4,173)		(4,173)
Total Other Financing Receipts / (Disbursements)		<u>(4,173)</u>	<u>4,173</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>21,990</u>	<u>14,117</u>		<u>36,107</u>
Fund Cash Balances, January 1	<u>315,792</u>	<u>66,877</u>		<u>382,669</u>
Fund Cash Balances, December 31	<u>\$337,782</u>	<u>\$80,994</u>	<u>\$0</u>	<u>\$418,776</u>

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

VILLAGE OF OSGOOD
DARKE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Non-Operating Cash Receipts:	
Other Debt Proceeds	\$105,648
Total Non-Operating Cash Receipts	<u>105,648</u>
Non-Operating Cash Disbursements:	
Capital Outlay	84,268
Total Non-Operating Cash Disbursements	<u>84,268</u>
Net Receipts Over/(Under) Disbursements	21,380
Fund Cash Balances, January 1	<u>22,056</u>
Fund Cash Balances, December 31	<u><u>\$43,436</u></u>

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

**VILLAGE OF OSGOOD
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for maintaining and repairing highways within the Village.

**VILLAGE OF OSGOOD
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

This fund receives transfers from General fund to make payment on an OWPC interest free loan.

4. Enterprise Fund

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:

Sewer Fund – This fund received Ohio Water Development Authority (OWDA) loan and grant proceeds. The monies are being used to construct sanitary sewer project.

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

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:

**VILLAGE OF OSGOOD
DARKE COUNTY**

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

	2010	2009
Demand deposits	\$621,476	\$ 96,518
STAR Ohio		365,694
Total deposits and investments	\$621,476	\$462,212

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

3. BUDGETARY ACTIVITY

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

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 70,000	\$ 148,059	\$ 78,059
Special Revenue	21,500	22,187	687
Debt Service	4,173	4,173	
Enterprise	3,900,000	3,010,469	(889,531)
Total	\$3,995,673	\$3,184,888	(\$810,785)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 407,800	\$ 36,224	\$ 371,576
Special Revenue	101,800	8,113	93,687
Debt Service	4,173	4,173	
Enterprise	3,943,436	2,977,114	966,322
Total	\$4,457,209	\$3,025,624	\$1,431,585

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,334	\$ 64,394	\$17,060
Special Revenue	20,500	22,226	1,726
Debt Service	4,173	4,173	
Enterprise	210,000	105,648	(104,352)
Total	\$282,007	\$196,441	(\$85,566)

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$363,000	\$ 42,404	\$320,596
Special Revenue	87,000	8,109	78,891
Debt Service	4,173	4,173	
Enterprise	232,000	84,268	147,732
Total	\$686,173	\$138,954	\$547,219

Contrary to Ohio law, appropriations exceeded actual resources in the Sewer fund by \$889,531 and \$104,296, respectively, for the years ended December 31, 2010 and 2009.

**VILLAGE OF OSGOOD
DARKE COUNTY**

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

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$ 58,422	0%
OWDA Loan	605,648	0%
Total	\$664,070	

The Ohio Public Work Commission (OPWC) loan relates to a street reconstruction project. The OPWC approved up to \$85,577 in loans to the Village for this project. The village will repay the loans in semiannual installments of \$2,139 over 20 years. The schedule payment amount below reflects the \$58,422 remaining principal.

The Ohio Water Development Authority (OWDA) Loan relates to a sanitary sewer design project through the Water Pollution Control Loan Fund ("WPCLF"). The amortization schedule for this loan has not been completed by OWDA.

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

Year ending December 31:	OPWC Loan
2011	\$ 4,173
2012	4,173
2013	4,173
2014	4,173
2015	4,173
2016-2020	20,865
2021-2024	16,692
Total	\$58,422

**VILLAGE OF OSGOOD
DARKE COUNTY**

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

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. LOCAL INCOME TAX

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

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

9. RESTATEMENT

For 2009, the Village recorded a prior year adjustment to the Enterprise funds and Capital Projects Funds for the inappropriate classification of the Sewer Fund. The aforementioned adjustment had the following effect on the fund balances of the Village at December 31, 2008:

	<u>Capital Project Funds</u>	<u>Enterprise Funds</u>
12/31/2008	\$22,056	
Adjustment	(22,056)	\$22,056
1/1/09 Restated Fund Balance		22,056

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Osgood
Darke County
P.O. Box 567
Osgood, OH 45388

To the Village Council:

We have audited the financial statements of the Village of Osgood, Darke County, (the Village) as of and for the year ended December 31, 2010 and 2009, and have issued our report thereon dated October 5, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and restated balances as disclosed in Note 9. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-03 through 2010-05 described in the accompanying schedule of findings material weaknesses.

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 finding 2010-02 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01 and 2010-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 5, 2011.

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.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 5, 2011

VILLAGE OF OSGOOD
DARKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

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

1. Appropriations Exceeding Actual Receipts

Finding Number	2010-01
----------------	---------

NONCOMPLIANCE

Ohio Rev. Code Section 5705.36(A)(2) states subject to divisions (A)(3) and (4) of this section, upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

Ohio Rev. Code Section 5705.36(A)(3) states upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess.

Ohio Rev. Code Section 5705.36(A)(4) states upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The Sewer fund had appropriations in excess of actual resources for 2010 and 2009 in the amounts of \$889,531 and \$104,296, respectively, which represents 23% and 45% of total appropriations, respectively. Failure to modify appropriations when actual resources are lower than expected could result in the Village incurring obligations beyond the fund's resources and result in negative fund balances.

The Village should implement procedures over the budgetary process to verify that appropriations are within the resources that are actually available, and amend the appropriations if necessary.

Official's Response:

This was mostly grant and loan dollars when used. However, the Sewer Fund never went negative in dollars.

2. Integration of Budgetary Data on Ledgers

Finding Number	2010-02
----------------	---------

NONCOMPLIANCE/SIGNIFICANT DEFICIENCY

Ohio Admin. Code Section 117-2-02 (C)(1) states all local public offices should integrate the budgetary accounts, at legal level of control or lower into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Finding Number	2010-02 (Continued)
----------------	---------------------

The Village maintained a receipts journal that includes the date of deposit, receipt number, deposit amount, and fund and receipt code it was recorded to, additionally the Village maintained an appropriations ledger that included the date the check was written, vendor name, purpose, purchase order number, warrant number, and amount of warrant. There was also additional columns to track the appropriations and encumbrances. The following items were not properly maintained within the accounting records:

- The Village failed to maintain budgeted receipts for each account code and compare this information to the actual receipts that were received to identify the status of collections throughout the year.
- The Village failed to maintain appropriations and encumbrances in the appropriations ledger and compare them to actual expenditures to verify that no appropriation line items were being over expended.
- The Village failed to maintain approved purchase orders for each line item to document that the expenditures had been properly encumbered.

Failure to accurately record budgetary information on the ledgers limits the management's ability to monitor the actual versus budgeted data of the Village throughout the year.

The Village should implement procedures to integrate budgetary information into the accounting system to provide on-going and essential information to management to make informed financial decisions to avoid deficit spending and fund balances.

Official's Response:

The Village watches its funds and finances very closely and does not have negative fund balances.

3. Classification of Sewer Fund

Finding Number	2010-03
----------------	---------

MATERIAL WEAKNESS

Governmental accounting standards establish proper presentation guidelines for governmental funds based on the purpose and use of the fund.

GASB Codification 1300:

.106 states *capital projects funds*—to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments). Capital outlays financed from general obligation bond proceeds should be accounted for through a capital projects fund.

.109 *Enterprise funds* may be used to report any activity for which a fee is charged to external users for goods or services. Activities are *required* to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's *principal revenue sources*.

Finding Number	2010-03 (Continued)
----------------	---------------------

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The Village established a sewer fund to receive loans and grants proceeds from the Ohio Water Development Authority (OWDA) to construct a sanitary sewer system. However the Village improperly classified the fund as a capital projects fund type rather than an enterprise fund type since fees will be used to pay the debt. This represented 100% of the activity in the capital projects fund type. The audited financial statements and the Village records were adjusted to reflect the presentation of the Sewer fund as an Enterprise Fund.

Failure to accurately present financial statement funds according to Governmental fund accounting standards could result in misleading users of the statements.

The Village should implement procedures over the report process to verify that all activity is properly classified according to the definitions set forth by GASB.

Official’s Response:

This was changed on January 5, 2011 from a Capital Fund to Enterprise Fund.

4. Transfer / Advance Presentation

Finding Number	2010-04
----------------	---------

MATERIAL WEAKNESS

Auditor of State Bulletin 1997-003 states in part that the following procedures are necessary to account for interfund advances:

1. **Cash Journal** - On repayment of the advance in whole, or in part, an entry should be made in the cash journal to increase the cash balance of the creditor fund by the amount of repayment and to reduce the cash balance of the debtor fund by the same amount.
2. **Ledger Accounts** - When the advance is repaid, a ledger account for "Advances Out" will need to be established in the debtor fund to show the disbursement of the repayment. To record the receipt of the repayment in the creditor fund, a ledger account for "Advances - In" will need to be established.

Finding Number	2010-04 (Continued)
----------------	---------------------

In 2010, the Village posted a transfer in the amount of \$51,596 from the Sewer fund to the General fund. However this amount represented the repayment of an advance and should have been posted as an advance on the financial statements. This represented 35% of general fund revenues and two percent of the enterprise fund expenditures. The client adjusted the financial statements to properly present advances.

The Village should implement procedures over the reporting process to verify that all repayments of prior year advances are properly classified on the financial statements.

Official's Response:

The client chose not to respond to the above finding.

5. Financial Statement Presentation

Finding Number	2010-05
----------------	---------

MATERIAL WEAKNESS

GASB 34 paragraph 102 states in part: governments should establish a policy that defines operating revenues and expenses that are appropriate to the nature of the activity being reported, disclose it in the summary of significant accounting policies, and use it consistently from period to period. A consideration for defining a proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows using [Statement 9](#). Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally would *not* be reported as components of operating income. This includes most revenues considered to be non-exchange and exchange-like, such as tax revenues and, in some cases, fees and charges (such as passenger facilities charges).

GASB 9 states in part:

- Paragraph 23. Capital and related financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods, (b) borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and (c) paying for capital assets obtained from vendors on credit.
- Paragraph 24. Cash inflows from capital and related financing activities include:
 - b. Receipts from capital grants awarded to the governmental enterprise.
- Paragraph 25. Cash outflows for capital and related financing activities include:
 - a. Payments to acquire, construct, or improve capital assets.

Throughout the audit period there were errors in the recording of intergovernmental revenue and debt proceeds. The following errors resulted in material misstatement of the revenue received by the Village's funds during 2010 and 2009:

Finding Number	2010-05 (Continued)
----------------	---------------------

- During 2010, the Village recorded Ohio Water Development Authority (OWDA) Grants and Community Development Block Grants as operating receipts instead of non-operating receipts in the amount of \$2,607,242, representing 87% of total revenues.
- During 2010 and 2009, the Village recorded OWDA Loans as operating receipts instead of non-operating receipts in the amounts of \$400,000 and \$105,648, respectively, this represented 13% and 100% of total revenues.

The accompanying financial statements have been adjusted by the client to properly present these receipts. Failure to accurately classify and present revenue and disbursements on the financial statements could result in misleading information for the financial statement users.

The Village Fiscal Officer should develop procedures to verify that receipts are properly classified on the financial statements.

Official's Response:

The client chose not to respond to the above finding.

This Page is Intentionally Left Blank.



Dave Yost • Auditor of State

VILLAGE OF OSGOOD

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 15, 2011