

**VILLAGE OF DOYLESTOWN, OHIO
WAYNE COUNTY**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2005 AND DECEMBER 31, 2004



Mary Taylor, CPA

Auditor of State

Village Council
Village of Doylestown
24 South Portage Street
Doylestown, Ohio 44230

We have reviewed the *Independent Auditor's Report* of the Village of Doylestown, Wayne County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. 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 *Independent Auditor's Report* 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 *Independent Auditor's Report* 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 Doylestown is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 30, 2007

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**VILLAGE OF DOYLESTOWN, OHIO
WAYNE COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2005 AND DECEMBER 31, 2004**

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - December 31, 2005.....	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types - December 31, 2005	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements And Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types – December 31, 2004.....	6
Notes to the Financial Statements.....	7
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>	18
Schedule of Prior Audit Findings	20
Schedule of Audit Findings.....	21

INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Doylestown, Wayne County
24 South Portage Street
Doylestown, OH 44230

We have audited the accompanying financial statements of the Village of Doylestown, Wayne County (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 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 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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, 2005 and 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, 2005 and 2004 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 and reserves for encumbrances of the Village of Doylestown as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 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 our report dated February 13, 2007 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, grant agreements and other matters. While we did not express an opinion 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* and should be read in conjunction with this report in considering the results of our audit.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

February 13, 2007

Village of Doylestown, Ohio
Wayne County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental and Similar Fiduciary Fund Types
For the Year Ended December 31, 2005

	Governmental Fund Types			Fiduciary Fund Types	Total
	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only)
Cash Receipts:					
Property Tax and Other Local Taxes	\$279,214	\$0	\$0	\$0	\$279,214
Municipal Income Taxes	0	493,960	0	0	493,960
Intergovernmental	158,050	195,090	0	0	353,140
Charges for Services	32,193	23,770	0	0	55,963
Fines, Licenses and Permits	49,266	8,991	0	0	58,257
Earnings on Investments	54,081	1,182	0	10,088	65,351
Miscellaneous	24,856	37,721	0	0	62,577
Total Cash Receipts	597,660	760,714	0	10,088	1,368,462
Cash Disbursements:					
Current:					
Security of Persons and Property	452,395	6,316	0	0	458,711
Public Health Services	13,224	16,078	0	0	29,302
Leisure Time Activities	62,275	5,646	0	0	67,921
Community Environment	61,033	0	0	0	61,033
Transportation	0	316,418	0	0	316,418
General Government	224,608	46,664	0	0	271,272
Debt Service:					
Principal Payments	0	0	40,771	0	40,771
Interest Payments	0	0	4,607	0	4,607
Capital Outlay	16,415	0	235,770	0	252,185
Total Cash Disbursements	829,950	391,122	281,148	0	1,502,220
Total Receipts Over/(Under) Disbursements	(232,290)	369,592	(281,148)	10,088	(133,758)
Other Financing Receipts/(Disbursements):					
Transfers-In	282,991	100,186	188,661	0	571,838
Transfers-Out	(118,711)	(471,652)	0	0	(590,363)
Total Other Financing Receipts/(Disbursements)	164,280	(371,466)	188,661	0	(18,525)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(68,010)	(1,874)	(92,487)	10,088	(152,283)
Fund Cash Balances, January 1	647,224	104,225	522,170	279,572	1,553,191
Fund Cash Balances, December 31	\$579,214	\$102,351	\$429,683	\$289,660	\$1,400,908
Reserve For Encumbrances, December 31	\$40,815	\$1,041	\$7,287	\$0	\$49,143

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

Village of Doylestown, Ohio
Wayne County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Proprietary and Similar Fiduciary Fund Types
For the Year Ended December 31, 2005

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$801,457	\$0	\$801,457
Fines, Licenses and Permits	0	14,760	14,760
Miscellaneous	3,883	0	3,883
Total Operating Cash Receipts	805,340	14,760	820,100
Operating Cash Disbursements:			
Personal Services	219,784	0	219,784
Employee Fringe Benefits	83,575	0	83,575
Contractual Services	44,508	0	44,508
Mayor's Court Distributions	0	14,592	14,592
Supplies and Materials	102,745	0	102,745
Capital Outlay	605,534	0	605,534
Total Operating Cash Disbursements	1,056,146	14,592	1,070,738
Operating Income/(Loss)	(250,806)	168	(250,638)
Non-Operating Cash Receipts:			
Special Assessments	7,885	0	7,885
Proceeds from Sale of Bonds	900,000	0	900,000
Total Non-Operating Cash Receipts	907,885	0	907,885
Non-Operating Cash Disbursements			
Debt Service:			
Principal Payments	260,298	0	260,298
Interest Payments	106,354	0	106,354
Total Non-Operation Cash Disbursements	366,652	0	366,652
Excess of Receipts Over Disbursements Before Interfund Transfers	290,427	168	290,595
Transfers-In	18,525	0	18,525
Net Receipts Over Disbursements	308,952	168	309,120
Fund Cash Balances, January 1	562,594	0	562,594
Fund Cash Balances, December 31	\$871,546	\$168	\$871,714
Reserve For Encumbrances, December 31	\$45,096	\$168	\$45,264

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

Village of Doylestown, Ohio
Wayne County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental and Similar Fiduciary Fund Types
For the Year Ended December 31, 2004

	Governmental Fund Types			Fiduciary Fund Types	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$275,674	\$0	\$0	\$0	\$275,674
Municipal Income Taxes	0	482,673	0	0	482,673
Intergovernmental	156,741	165,148	0	0	321,889
Charges for Services	28,661	21,913	0	0	50,574
Fines, Licenses and Permits	58,831	3,802	0	0	62,633
Earnings on Investments	19,616	578	0	8,626	28,820
Miscellaneous	47,809	8,358	0	0	56,167
Total Cash Receipts	587,332	682,472	0	8,626	1,278,430
Cash Disbursements:					
Current:					
Security of Persons and Property	395,464	2,838	0	0	398,302
Public Health Services	53,804	21,933	0	0	75,737
Leisure Time Activities	73,945	4,796	0	0	78,741
Community Environment	61,867	0	0	0	61,867
Transportation	0	213,552	0	0	213,552
General Government	188,091	13,815	0	0	201,906
Debt Service:					
Principal Payments	0	0	28,057	0	28,057
Interest Payments	0	0	5,976	0	5,976
Capital Outlay	0	31,446	140,486	0	171,932
Total Cash Disbursements	773,171	288,380	174,519	0	1,236,070
Total Receipts Over/(Under) Disbursements	(185,839)	394,092	(174,519)	8,626	42,360
Other Financing Receipts/(Disbursements):					
Proceeds From Sale of Notes	0	0	120,000	0	120,000
Transfers-In	281,315	105,500	187,544	0	574,359
Transfers-Out	(123,312)	(468,859)	0	0	(592,171)
Advance-Out	(26,089)	0	0	0	(26,089)
Advance-In	23,845	0	0	0	23,845
Total Other Financing Receipts/(Disbursements)	155,759	(363,359)	307,544	0	99,944
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(30,080)	30,733	133,025	8,626	142,304
Fund Cash Balances, January 1	677,304	73,492	389,145	270,946	1,410,887
Fund Cash Balances, December 31	\$647,224	\$104,225	\$522,170	\$279,572	\$1,553,191
Reserve For Encumbrances, December 31	\$22,348	\$38,800	\$159,290	\$0	\$220,438

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

Village of Doylestown, Ohio
Wayne County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Proprietary and Similar Fiduciary Fund Types
For the Year Ended December 31, 2004

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$818,368	\$0	\$818,368
Fines, Licenses and Permits	0	27,721	27,721
Intergovernmental	52,790	0	52,790
Total Operating Cash Receipts	871,158	27,721	898,879
Operating Cash Disbursements:			
Personal Services	248,479	0	248,479
Travel Transportation	11,828	0	11,828
Contractual Services	150,884	0	150,884
Mayor's Court Distributions	0	27,721	27,721
Supplies and Materials	108,685	0	108,685
Capital Outlay	100,354	0	100,354
Total Operating Cash Disbursements	620,230	27,721	647,951
Operating Income	250,928	0	250,928
Non-Operating Cash Receipts:			
Special Assessments	7,025	0	7,025
Proceeds from Sale of Notes	115,000	0	115,000
Total Non-Operating Cash Receipts	122,025	0	122,025
Non-Operating Cash Disbursements			
Debt Service:			
Principal Payments	225,924	0	225,924
Interest Payments	85,371	0	85,371
Total Non-Operation Cash Disbursements	311,295	0	311,295
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	61,658	0	61,658
Advance-In	26,089	0	26,089
Advance-Out	(23,845)	0	(23,845)
Transfers-In	17,812	0	17,812
Total Other Financing Sources	20,056	0	20,056
Net Receipts Over Disbursements	81,714	0	81,714
Fund Cash Balances, January 1	480,880	0	480,880
Fund Cash Balances, December 31	\$562,594	\$0	\$562,594
Reserve For Encumbrances, December 31	\$64,674	\$0	\$64,674

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

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Doylestown, Wayne County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including street maintenance, water and sewer utilities, park operations (leisure time activities), cemetery operations (public health services) and police services. Chippewa Township provides fire protection and emergency medical services to the Village.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit, overnight repurchase agreements, and Federal Securities are valued at cost.

D. Fund Accounting

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

General Fund

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

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village has 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.

Income Tax Fund - This fund receives all income tax collections of the Village taxpayers. These monies are then distributed to the General and Capital Projects Funds.

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 has the following significant Capital Projects Fund:

Capital Improvement Fund - This fund receives a portion of income tax revenue transferred in which is used for the payment of capital improvements to the Village, including related debt payments.

Enterprise Funds

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

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

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

Wastewater Treatment Plant Fund - This fund received loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. This loan is being repaid from this fund.

Water Field Fund - This fund receives a portion of revenues generated from the water fund and is used towards the replacement of water lines, water tower and water plant improvements.

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds (Trust and Agency Funds)

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

Cemetery Expendable Trust Fund - This fund accounts for the resources that are restricted to capital improvements of the Chestnut Hill Cemetery.

Mayor's Court Agency Fund - This fund accounts for all revenue received from traffic violations within the Village limits. These monies are then distributed to the appropriate governmental agency and to the Village's General Fund.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

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

Estimated Resources

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

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 encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$496,962	\$164,217
Certificates of deposit	800,000	800,000
Total deposits	1,296,962	964,217
Repurchase Agreements	686,000	872,000
Treasury Note(s)	93,363	83,570
Federal Home Loan Mortgage Corporation	29,799	55,129
Federal National Mortgage Association	76,478	115,780
Federal Home Loan Bank	90,020	25,089
Total Investments	975,660	1,151,568
Total deposits and investments	\$2,272,622	\$2,115,785

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

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Investments: U.S. Treasury Notes, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Home Loan Bank investments are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. The Village's agent holds securities collateralizing repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$880,496	\$880,651	\$155
Special Revenue	835,803	860,900	25,097
Capital Projects	188,660	188,661	1
Enterprise	811,300	1,731,750	920,450
Fiduciary	23,906	24,848	942
Total	\$2,740,165	\$3,686,810	\$946,645

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,134,557	\$989,476	\$145,081
Special Revenue	838,794	863,815	(25,021)
Capital Projects	282,236	288,435	(6,199)
Enterprise	1,433,528	1,467,894	(34,366)
Fiduciary	14,928	14,760	168
Total	\$3,704,043	\$3,624,380	\$79,663

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

3. BUDGETARY ACTIVITY (continued)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$891,540	\$892,492	\$952
Special Revenue	900,350	787,972	(112,378)
Capital Projects	191,660	307,544	115,884
Enterprise	935,200	1,037,084	101,884
Fiduciary	40,000	36,347	(3,653)
Total	\$2,958,750	\$3,061,439	\$102,689

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$941,247	\$944,920	(\$3,673)
Special Revenue	794,091	796,039	(1,948)
Capital Projects	340,663	333,809	6,854
Enterprise	1,016,497	1,020,044	(3,547)
Fiduciary	27,721	27,721	0
Total	\$3,120,219	\$3,122,533	(\$2,314)

4. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 5705.39, total appropriations exceeded estimated resources in the Waterline Fund in 2005 and in the Performing Arts Fund, Beautification Fund, and Waterline Fund in 2004.

Contrary to Ohio Rev. Code Section 5705.41(D), during 2005 and 2004, the Village did not always certify the availability of funds for its expenditures.

Contrary to Ohio Rev. Code Section 5705.14, 5705.15 and 5705.16, the Village made transfers without Council approval.

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

5. PROPERTY TAX

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

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.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

7. DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #2234	\$1,252,226	5.00%
Ohio Water Development Authority Loan #1546	11,618	7.51%
Ohio Public Works Commission Loan #CP08A	161,358	0.00%
Ohio Public Works Commission Loan #CP35E	11,250	0.00%
General Obligation Bond	35,785	4.35%
General Obligation Notes	41,456	6.75%
2004 Bond	84,000	4.34%
2005 Bond	878,399	4.94%
Water System Improvement Bond	<u>113,000</u>	4.50%
Total	<u><u>\$2,589,092</u></u>	

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

7. DEBT (continued)

The Ohio Water Development Authority (OWDA) Loan #2234 relates to a wastewater treatment plant constructed by the Village. The loans will be repaid in semiannual installments of \$143,073, including interest of 5.00%, over 20 years. The final payment is due on July 1, 2010. Property and revenue of the utility facilities have been pledged to repay this debt.

The Ohio Water Development Authority (OWDA) Loan #1546 is for the cost associated with the rearrangement of Village owned utility facilities as part of a Ohio Department of Transportation highway improvement project. The loans will be repaid in semiannual installments ranging from \$1,529 to \$1,564, including interest of 7.51%, over 20 years. The final payment is due on January 1, 2010.

The Ohio Public Works Commission (OPWC) Loan #CP08A relates to the elevated water tank replacement project. The zero percent interest loan is being repaid in semiannual installments of \$5,763, over 20 years. The final payment is due on July 1, 2019.

The Ohio Public Works Commission (OPWC) Loan #CP35E relates to a water supply well replacement project. The zero percent interest loan is being repaid in semiannual installments of \$2,250 over five years. The final payment is due on January 1, 2008.

The General Obligation Note relates to the construction and installation of water and sewer lines. The notes will be repaid in semiannual installments of \$3,031, including interest of 6.75%, over 17 years. The final payment is due on April 5, 2015.

The General Obligation Bonds relate to the purchase of real estate for parking improvements. The bonds will be repaid in semiannual installments of \$9,439, including interest of 4.35%, over five years. The final payment is due on August 15, 2007.

The Storm Water System Improvement Bond (Series 2004) is for the purpose of paying costs of constructing and installing storm water system improvements along Franklin Drive, Circle Drive and Hoffman Street. The Bond will be repaid in semiannual installments ranging from \$12,260 to \$14,764, including interest of 4.34%, over 5 years. The final payment is due on June 1, 2009.

The Water System Improvement Bond (Series 2005) is for the purpose of paying costs of constructing and installing water lines and related water system improvements. The Bond will be repaid in semiannual installments of \$43,831, including interest of 4.94% over 15 years. The final payment is due on November 30, 2019.

The Water System Improvement Bond (\$115,000) is for the purpose of paying the cost of improving a water storage tank. The Bond will be repaid in annual installments ranging from \$6,600 to \$7,630, including interest of 4.50% over 30 years. The final payment is due on March 1, 2034.

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

7. DEBT (continued)

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

Year Ending December 31:	OWDA Loans	OPWC Loans	General Obligation Bond	General Obligation Notes
2006	\$289,229	\$16,026	\$18,878	\$6,061
2007	289,240	16,026	18,878	6,061
2008	289,253	13,776	0	6,061
2009	289,266	11,526	0	6,061
2010	287,709	11,526	0	6,061
2011 - 2015	0	57,628	0	26,405
2016 - 2020	0	46,103	0	0
2021 - 2025	0	0	0	0
2026 - 2030	0	0	0	0
2031 - 2034	0	0	0	0
Total	\$1,444,697	\$172,611	\$37,756	\$56,710

Year Ending December 31:	2004 Bond	2005 Bond	Water System Improv. Bond	Grand Total
2006	\$27,385	\$87,662	\$7,085	\$452,326
2007	26,344	87,662	6,995	451,206
2008	25,302	87,662	6,905	428,959
2009	12,260	87,662	6,815	413,590
2010	0	87,662	6,725	399,683
2011 - 2015	0	438,312	36,005	558,350
2016 - 2020	0	350,650	34,675	431,428
2021 - 2025	0	0	35,625	35,625
2026 - 2030	0	0	35,450	35,450
2031 - 2034	0	0	29,015	29,015
Total	\$91,291	\$1,227,272	\$205,295	\$3,235,632

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

8. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Village has paid all contributions required through December 31, 2005.

9. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members.

The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles. The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and members equity at December 31, 2005, and 2004:

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

9. RISK MANAGEMENT (continued)

The Pool assumes the risk of loss up to the limits of the Village's policy. The following risks are covered by the Pool:

- General liability and casualty;
- Commercial inland marine coverage;
- Public official's liability;
- Police professional liability;
- Employee benefits liability; and
- Automobile liability.

The Village also provides health insurance and dental coverage to full-time employees through the Wayne County Insurance Pool.

10. CONTINGENT LIABILITIES

The Village is defendant or plaintiff in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

11. SUBSEQUENT EVENTS:

The Village entered into new debt in 2006. The debt was entered into June 23, 2006, and is a Various Purpose Improvement Bond, Series 2006 for \$500,000. The first payment of \$24,048, including interest of 5.10% is due December 23, 2006. The Bond is for 15 years and the final payment is due June 23, 2021.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Village Council
Village of Doylestown, Wayne County
20 South Portage Street
Doylestown, OH 44230

We have audited the accompanying financial statements of the Village of Doylestown, Wayne County (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated February 13, 2007, 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. 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.

Internal Control 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 opinions 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 and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-004 and 2005-005.

A material weakness is a reportable 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 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 of 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, of the reportable conditions described above, we consider item 2005-004 to be a material weakness.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

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, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-003.

We also noted certain additional matters that we reported to management of the Village in a separate letter dated February 13, 2007.

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

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

February 13, 2007

VILLAGE OF DOYLESTOWN
WAYNE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Rev. Code Section 5705.41(D), expenditures were not properly certified.	No	Not corrected; See Finding number 2005-002.
2003-002	Ohio Rev. Code Section 2743.70 and 2949.091, court costs not distributed correctly.	Yes	N/A
2003-003	Ohio Rev. Code Section 4513.263(E), fines collected not distributed correctly.	Yes	N/A
2003-004	Ohio Rev. Code Section 5705.14, 5705.15 and 5705.16, pertaining to allowable transfers.	No	Partially corrected; see Finding number 2005-003
2003-005	Errors during testing of nonpayroll disbursements.	Yes	N/A
2003-006	Significant errors in preparation of Cash Basis Annual Financial Report.	No	Not corrected; see Finding number 2005-005

VILLAGE OF DOYLESTOWN
SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004

Finding Number 2005-001

Noncompliance

Section 5705.39, Revised Code, requires that the total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the Village to obtain a county auditor's certification that total appropriations from each fund do not exceed the total official estimate for amended official estimate when amending estimated resources.

During 2005, total appropriations in the Waterline Fund exceeded total estimated resources by \$436,844. In 2004, total appropriations in the Performing Arts Fund, Beautification Fund, and Waterline Fund exceeded total estimated resources by \$4,121, \$25, and \$48,189 respectively.

Corrective Action

I will need to review the estimated resources closely and be sure to amend appropriations as deemed necessary.

Finding Number 2005-002

Noncompliance

Section 5705.41(D), Revised Code, requires that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two "exceptions" to the above requirements:

- A) Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B) If the amount involved is less than \$3,000 the Clerk/Treasurer may authorize it to be paid without the affirmation of the Village Council, upon completion of the "then and now" certificate, such expenditure is otherwise valid.

During both 2004 and 2005, 45% of expenditures tested were not certified by the Clerk/Treasurer prior to incurring the obligation. It was also found that neither of the two exceptions above were properly utilized for the items found to be in noncompliance. The Village should inform all Village employees of the requirements of Ohio Rev. Section 5705.41(D) and certify the availability of funds

VILLAGE OF DOYLESTOWN
 SCHEDULE OF AUDIT FINDINGS
 DECEMBER 31, 2005 AND 2004
 (continued)

prior to entering the obligation. The Village should also consider implementing the use of “Then and Now Certificates” and “Blanket Certificates” as further permitted by Ohio Rev. Section 5705.41.

Corrective Action

I will talk to Council so they can inform their department heads that Purchase Orders **must** be obtained **before** the purchase. And that I have the right to NOT sign and they will personally be held accountable for the invoice.

Finding Number 2005-003

Noncompliance

Sections 5705.14, 5705.15 and 5705.16, Revised Code, provide guidelines pertaining to allowable inter-fund transfers. Transfers from the General Fund require a resolution passed by a majority of the Council members of the taxing authority. See also 1989 Op. Atty. Gen. No. 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds). In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by a resolution passed by two-thirds vote of the taxing authority. In addition to transfers from the General Fund and those permitted by Ohio Rev. Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to any other public funds under its supervision, with certain exceptions, which are detailed in Ohio Rev. Code Sections 5705.15 and 5705.16

The following transfers were made contrary to these Ohio Rev. Code Sections:

	<u>Transfers Out of Fund</u>	<u>Transfers Into Fund</u>	<u>Amount</u>
2005	Special Revenue - Income Tax Fund	General Fund Capital Improvements Fund	\$87,926 58,618
2004	Special Revenue - Income Tax Fund	General Fund Capital Improvements Fund	281,315 187,544

The transfers in 2005 and 2004 from the Income Tax Fund to the General and Capital Improvements Funds were not approved by Council. However, Section 99.17 (B) of the Village Income Tax Ordinance #88.27 allows for the annual allocation of all net income tax proceeds to these funds.

Corrective Action

I will be more careful to write Ordinances to transfer this money.

VILLAGE OF DOYLESTOWN
SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004
(continued)

Finding Number 2005-004

Reportable Condition

A necessary step 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. A bank reconciliation means accounting for the differences between the balance on the bank statement and the cash and investment balances according to the entity's records at a specific point in time.

As of December 31, 2005, the Village had an unreconciled difference of \$2,048. The annual report for 2005 was filed with the Auditor of State with an adjustment to show a reconciled amount for which the Village was unable to support.

Without complete and accurate monthly bank reconciliations, the Village's internal control is significantly weakened, which could hinder the timely detection of errors or irregularities by the Village's management. In addition, Village management is not provided with timely information that is vital to the continued operation and decision making process of the Village.

The Village should perform complete monthly bank reconciliations in a timely manner. Also, a hard copy of the monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder with the bank statements and supporting documents for the applicable month. All unreconciled differences should be resolved as quickly as possible so they are not carried forward from month-to-month. All reconciling matters should be appropriately documented.

Corrective Action

This occurred during the conversion from the SSI system to the UAN system. I will discuss this with Council at our next meeting on April 3, to get approval to post this money to the General Fund.

Finding Number 2005-005

Reportable Condition

The following significant errors were noted in the preparation of the Cash Basis Annual Financial Reports.

For 2005:

- General Fund – A Transfer-In of \$87,926 was incorrectly reflected as Municipal Income Tax Revenue. A Transfer-Out was booked twice, thus ending fund balance was not accurate;
- Special Revenue – Miscellaneous Revenue of \$33,009 was incorrectly reflected as Special Assessments Revenue;
- Capital Projects – A Transfer-In of \$58,618 was incorrectly reflected as Municipal Income Tax Revenue;

VILLAGE OF DOYLESTOWN
SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004
(continued)

- Enterprise Funds – Principal and Interest payments of \$136,592 and \$32,215, respectively, were incorrectly reflected as Contractual Services, Supplies and Materials, and Capital Outlay Expenditures. In addition, Charges For Services Revenue of \$36,983 was incorrectly reflected as Special Assessments Revenue. A Transfer-In was booked twice thus ending fund balance was not accurate.

For 2004:

- General Fund – An Advance-In of \$23,845 was not booked, thus ending fund balance was not accurate. In addition, a Transfer-Out of \$149,401 was incorrectly reflected as General Government Expenditures;
- Special Revenue – Capital Outlay Expenditures of \$31,446 were incorrectly reflected as Transportation Expenditures. In addition, a Transfer-Out of \$468,859 was incorrectly reflected as General Government Expenditures;
- Capital Projects – Principle, Interest, and Capital Outlay Expenditures of \$28,057, \$5,976, and \$140,486, respectively, were incorrectly reflected as Community Environment Expenditures. In addition, Proceeds from the Sale of Notes and Transfers-In of \$120,000 and \$187,544, respectively, were incorrectly reflected as Miscellaneous Revenue;
- Expendable Trust – Earnings on Investments of \$8,626 were incorrectly reflected as Charges For Services Revenue;
- Enterprise Funds – Interest Expenditures of \$83,297 were incorrectly reflected as Principle, Capital Outlay, and Supplies and Materials Expenditures. In addition, Advance-Out of \$23,845 was not booked, thus ending fund balance was not accurate. Transfer-In of \$43,901 was incorrectly reflected as Proceeds from the Sale of Notes, Charges For Services, and Special Assessments Revenue. Proceeds from the Sale of Notes of \$115,000 was incorrectly reflected as Charges For Services and Miscellaneous Revenue. Charges For Services Revenue of \$286,146 was incorrectly reflected as Proceeds from the Sale of Notes.

Although transactions appear to be entered correctly on the Village's Revenue and Expense Audit Trail reports and the Detailed Trial Balance, the Clerk/Treasurer should exercise proper due care in the preparation of the Annual Cash Basis Financial Report. This can be accomplished by comparing total fund revenues and expenditures to the year-end Statement of Cash Position Report. Once these amounts have been accurately entered on the Combined Statement of Receipts, Disbursements, and Changes in Fund Balance, the Clerk/Treasurer should compare ending fund balances to the year-end cash reconciliation. These errors have been corrected in the final report.

VILLAGE OF DOYLESTOWN
SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004
(continued)

Implementation of the aforementioned procedures will help ensure that all financial activity is complete and reasonably accurate prior to submitting the final report to the Auditor of State.

Corrective Action

I will monitor accounts by line item on a closer basis.



Mary Taylor, CPA
Auditor of State

VILLAGE OF DOYLESTOWN

WAYNE 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
MAY 10, 2007**