

***VILLAGE OF WOODSFIELD
MONROE COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

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



**Auditor of State
Betty Montgomery**

Village of Council
Village of Woodsfield
221 South Main St.
Woodsfield, OH 43793-1024

We have reviewed the *Report of Independent Accountants* of the Village of Woodsfield, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 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 Woodsfield is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

February 28, 2006

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**VILLAGE OF WOODSFIELD
MONROE COUNTY
For the Years Ending December 31, 2004 and 2003**

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Woodsfield, Monroe County
221 South Main Street
Woodsfield, Ohio 43793-1024

We have audited the accompanying financial statements of the Village of Woodsfield, Monroe County, Ohio (Village) as and for the years ended December 31, 2004 and 2003. 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 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), 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 two 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, 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 Woodsfield, Monroe County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 our report dated July 25, 2005, 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 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.

Charles E. Harris & Associates, Inc.
July 25, 2005

VILLAGE OF WOODSFIELD
MONROE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Fund Types				(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Total
Receipts:					
Property Taxes and Other Local Taxes	\$ 43,836	-	-	\$ 154,032	\$ 197,868
Municipal Income Taxes	170,160	\$ 206,176	-	17,098	393,434
Charges for Services	69,100	64,735	-	6,080	139,915
Intergovernmental	95,216	413,472	\$ 24,546	-	508,688
Fines, Licenses and Permits	20,971	275	-	-	21,246
Earnings on investments	5,059	-	-	-	5,059
Other	49,736	5,174	-	20	54,930
Total Receipts	454,078	689,832	24,546	177,230	1,321,140
Disbursements:					
General Government	150,925	23,999	-	-	174,924
Security of Persons & Property	309,982	11,365	-	-	321,347
Public Health Services	12,152	13,506	-	-	25,658
Transportation	-	246,808	-	-	246,808
Leisure time Activities	-	75,679	-	-	75,679
Capital Outlay	67,758	182,249	-	216,879	466,886
Debt Service:					
Principal	354	3,834	21,817	127,000	153,005
Interest	11,587	1,725	2,729	11,489	27,530
Total Disbursements	552,758	559,165	24,546	355,368	1,491,837
Receipts over(under) disbursements	(98,680)	130,667	-	(178,138)	(170,697)
Other Financing Sources (Uses)					
Sale of Bonds	35,000	-	-	-	35,000
Sale of Notes	-	28,600	-	173,992	202,592
Sale of Fixed Assets	62,756	-	-	-	62,756
Transfers in	6,534	3,240	-	-	9,774
Transfers out	(3,240)	(6,534)	-	-	(9,774)
Other Financing Sources	-	195	-	-	195
Total Other Financing Sources (Uses)	101,050	25,501	-	173,992	300,543
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	2,370	156,168	-	(4,146)	154,392
Fund Balance 1/1/2004	23,165	219,133	-	29,990	272,288
Fund Balance 12/31/2004	<u>\$ 25,535</u>	<u>\$ 375,301</u>	<u>\$ -</u>	<u>\$ 25,844</u>	<u>\$ 426,680</u>
Reserve for Encumbrances, December 31, 2004	<u>\$ 463</u>	<u>\$ 1,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,448</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF WOODSFIELD
MONROE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES -
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 2,097,711	\$ 570	-	\$ 2,098,281
Earnings on Investments	-	27,249	-	27,249
Fines, Licenses and Permits	5,358	-	-	5,358
Miscellaneous	-	-	\$ 1,991	1,991
Total Operating Cash Receipts	2,103,069	27,819	1,991	2,132,879
Operating Cash Disbursements:				
Personal Services	543,296	18,780	-	562,076
Employee Fringe Benefits	211,972	10,126	-	222,098
Contractual Services	1,092,302	10,268	-	1,102,570
Supplies and Materials	288,023	1,633	-	289,656
Capital Outlay	123,403	6,792	-	130,195
Other	7,174	-	-	7,174
Total Operating Cash Disbursements	2,266,170	47,599	-	2,313,769
Operating Income (Loss)	(163,101)	(19,780)	1,991	(180,890)
Non-Operating Cash Receipts/(Disbursements)				
Property and Other Local Taxes	95,605	-	-	95,605
Special Assessments	3,198	-	-	3,198
Debt Service:				
Principal	(69,278)	-	-	(69,278)
Interest and other fiscal charges	(34,635)	-	-	(34,635)
Other Financing Sources	28,214	-	-	28,214
Total Non-Operating Cash Receipts/(Disbursements)	23,104	-	-	23,104
Net Receipts (Under) Disbursements	(139,997)	(19,780)	1,991	(157,786)
Fund Cash Balances, January 1	920,147	1,417,527	33,025	2,370,699
Fund Cash Balances, December 31	<u>\$ 780,150</u>	<u>\$ 1,397,747</u>	<u>\$ 35,016</u>	<u>\$ 2,212,913</u>
Reserve for Encumbrances, December 31, 2004	<u>\$ 67,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,044</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF WOODSFIELD
MONROE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types				(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Total
Receipts:					
Property Taxes and Other Local Taxes	\$ 42,971	-	-	\$ 72,500	\$ 115,471
Municipal Income Taxes	173,846	\$ 217,916	-	19,912	411,674
Charges for Services	67,963	82,375	-	5,960	156,298
Intergovernmental	120,048	90,833	\$ 12,447	-	223,328
Fines, Licenses and Permits	27,518	750	-	-	28,268
Earnings on Investments	9,052	-	-	-	9,052
Other	14,925	12,887	-	-	27,812
Total Receipts	456,323	404,761	12,447	98,372	971,903
Disbursements:					
General Government	132,859	23,684	-	-	156,543
Security of Persons & Property	298,681	13,873	-	-	312,554
Public Health Services	10,974	20,101	-	-	31,075
Transportation	-	234,059	-	-	234,059
Leisure time Activities	66	73,242	-	-	73,308
Capital Outlay	-	26,515	-	24,984	51,499
Debt Service:					
Principal	5,000	3,528	11,440	55,000	74,968
Interest	255	2,252	1,007	22,584	26,098
Total Disbursements	447,835	397,254	12,447	102,568	960,104
Receipts over(under) disbursements	8,488	7,507	-	(4,196)	11,799
Other Financing Sources (Uses)					
Sale of Notes	-	10,000	-	-	10,000
Other Financing Sources	-	1,572	-	-	1,572
Total Other Financing Sources (Uses)	-	11,572	-	-	11,572
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	8,488	19,079	-	(4,196)	23,371
Fund Balance 1/1/2003	14,677	200,054	-	34,186	248,917
Fund Balance 12/31/2003	<u>\$ 23,165</u>	<u>\$ 219,133</u>	<u>\$ -</u>	<u>\$ 29,990</u>	<u>\$ 272,288</u>
Reserve for Encumbrances, December 31, 2003	<u>\$ 3,457</u>	<u>\$ 18,829</u>	<u>\$ -</u>	<u>\$ 878</u>	<u>\$ 23,164</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF WOODSFIELD
MONROE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES -
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 2,049,970	\$ 735	-	\$ 2,050,705
Earnings on Investments	-	31,721	-	31,721
Fines, Licenses and Permits	2,946	-	-	2,946
Miscellaneous	-	-	\$ 33,025	33,025
Total Operating Cash Receipts	2,052,916	32,456	33,025	2,118,397
Operating Cash Disbursements:				
Personal Services	529,033	11,558	-	540,591
Employee Fringe Benefits	212,748	8,747	-	221,495
Contractual Services	969,143	14,124	-	983,267
Supplies and Materials	287,970	4,984	-	292,954
Capital Outlay	218,988	12,723	-	231,711
Other	12,808	-	-	12,808
Total Operating Cash Disbursements	2,230,690	52,136	-	2,282,826
Operating Income (Loss)	(177,774)	(19,680)	33,025	(164,429)
Non-Operating Cash Receipts/(Disbursements)				
Property and Other Local Taxes	95,290	-	-	95,290
Special Assessments	1,037	-	-	1,037
Debt Service:				
Principal	(98,824)	-	-	(98,824)
Interest and other fiscal charges	(46,812)	-	-	(46,812)
Other Financing Sources	19,527	-	-	19,527
Total Non-Operating Cash Receipts/(Disbursements)	(29,782)	-	-	(29,782)
Net Receipts (Under) Disbursements	(207,556)	(19,680)	33,025	(194,211)
Fund Cash Balances, January 1	1,127,703	1,437,207	-	2,564,910
Fund Cash Balances, December 31	\$ 920,147	\$ 1,417,527	\$ 33,025	\$ 2,370,699
Reserve for Encumbrances, December 31, 2003	\$ 97,242	\$ 73	\$ -	\$ 97,315

See accompanying Notes to the Financial Statements.

**VILLAGE OF WOODSFIELD
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Woodsfield, (the Village) is a body corporate and politic established for the purpose of exercising 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 water, sewer, and electric utilities, park operations, and police services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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.)

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

C. CASH

Investments are included in the fund cash balances. Accordingly, purchase 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 and mortgage-backed securities are valued at cost. Money market mutual funds, including STAROhio, are recorded at share values reported by the mutual fund.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity which stands separate from

**VILLAGE OF WOODSFIELD
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING - (Continued)

the activities reported in other funds. The restrictions associated with each class of funds are as follows:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. Special revenue funds follow:

- Street Construction Maintenance and Repair
- State Highway
- Cemetery
- Parks and Recreation
- Income Tax
- Drug Law Enforcement
- Law Enforcement Trusts
- COPS Fast
- Enforcement and Education
- Permissive Sales Tax
- FEMA – Small Projects
- Fire Equipment Fund

Debt Service Fund: This fund is used to account for proceeds restricted to debt service principal and interest.

Capital Projects: These funds are used to account for resources to be used for the acquisition or construction of capital assets. The Village has the following significant Capital Projects Funds:

- Building Fund
- Firehouse Building Fund
- NEW FIRE LEVY Note 94

VILLAGE OF WOODSFIELD
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING - (Continued)

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 had the following Enterprise Funds:

- Water
- Sewer
- Electric
- Parking

Fiduciary Fund Type:

The Village had two types of fiduciary funds, an agency fund and two nonexpendable trusts funds. The agency fund is used to account for funds held by the Village in a trustee capacity or agent for individuals or private organizations. The nonexpendable trust funds are used to account for resources restricted by legally binding trust agreements. The Village has the following Nonexpendable Trust Funds:

- Bague Endowment Fund
- Cemetery Endowment Fund

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

VILLAGE OF WOODSFIELD
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue. The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2003 and 2004.

Budget receipts, as shown in footnote number 5, do not include the unencumbered fund balances as of January 1, 2003 and 2004. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the fund level.

**VILLAGE OF WOODSFIELD
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS (Continued)

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of budgetary activity appears in Note 5.

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 CASH EQUIVALENTS

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:

	<u>2004</u>	<u>2003</u>
Demand deposits	\$1,048,314	\$ 930,474
Certificates of deposit	<u>222,544</u>	<u>222,537</u>
Total deposits	<u>1,270,858</u>	<u>1,153,011</u>
STAROhio	62,482	162,919
Mortgage-backed securities	<u>1,306,253</u>	<u>1,327,057</u>
Total investments	<u>1,368,735</u>	<u>1,489,976</u>
Total deposits and investments	<u>\$2,639,593</u>	<u>\$2,642,987</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF WOODSFIELD
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (Continued)

Investments: Mortgaged-backed securities 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. Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

The Village has not established an investment policy, contrary to Ohio Rev. Code Section 135.14.

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

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

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The Monroe County Treasurer collects property tax on behalf of all taxing Villages within the county. The Monroe County Auditor periodically remits to the taxing Village their portions of the taxes collected.

4. 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.

**VILLAGE OF WOODSFIELD
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

4. LOCAL INCOME TAX – (Continued)

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.

5. BUDGETARY

Budgetary activity for the year ended December 31, 2004 follows:

<u>Fund</u>	<u>2004 Budgeted vs Actual Receipts</u>		
	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 541,995	\$ 558,368	\$ 16,373
Special Revenue Funds	730,549	721,867	(8,682)
Debt Service Fund	24,546	24,546	-0-
Capital Projects Funds	404,106	351,222	(52,884)
Enterprise Funds	2,223,534	2,230,086	6,552
Nonexpendable Trust	32,879	27,819	(5,060)

<u>Fund</u>	<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 556,461	\$ 556,461	\$ -0-
Special Revenue Funds	922,605	567,684	354,921
Debt Service Fund	24,546	24,546	-0-
Capital Projects Funds	431,496	355,368	76,128
Enterprise Funds	2,917,800	2,437,127	480,673
Nonexpendable Trust	103,595	47,599	55,996

Contrary to Ohio Rev. Code Section 5705.41(B), as of December 31, 2004, the Firehouse Building Fund had expenditures exceeding appropriations at the legal level of control.

Budgetary activity for the year ended December 31, 2003 follows:

<u>Fund</u>	<u>2003 Budgeted vs Actual Receipts</u>		
	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 463,003	\$ 456,323	\$ (6,680)
Special Revenue Funds	390,357	416,333	25,976
Debt Service Fund	12,447	12,447	-0-
Capital Projects Funds	92,125	98,372	6,247
Enterprise Funds	2,447,134	2,168,770	(278,364)
Nonexpendable Trust	84,193	32,456	(51,737)

**VILLAGE OF WOODSFIELD
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

5. BUDGETARY – (Continued)

2003 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 472,750	\$ 451,292	\$ 21,458
Special Revenue Funds	568,678	416,083	152,595
Debt Service Fund	12,447	12,447	-0-
Capital Projects Funds	123,500	103,446	20,054
Enterprise Funds	3,365,000	2,473,568	891,432
Nonexpendable Trust	61,864	52,136	9,728

Contrary to Ohio Rev. Code Section 5705.41(B), as of December 31, 2003, the Park and Recreation and Firehouse Building Funds' had expenditures exceeding appropriations at the legal level of control.

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension (OP&F). Other employees belong to the Ohio Public Employment Employers 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.

The Ohio Revised Code provides statutory authority for employee and employer contributions. OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of their wages. OPERS participants contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of their wages. The Village has paid all contributions required through December 31, 2004.

7. DEBT

Debt outstanding as of December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commissions Loans	\$ 435,908	0-2.0%
General Obligation Notes	146,657	4.15-5.9%
Mortgage Revenue Bonds	435,000	2.39%
Bond Anticipation Notes	<u>1,147,229</u>	1.40-4.2%
Total	<u>\$ 2,164,794</u>	

VILLAGE OF WOODSFIELD
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

7. DEBT – (Continued)

The Ohio Public Works Commission (OPWC) loans relate to water and sewer expansion projects. The loans are collateralized by water and sewer receipts.

The general obligation notes were issued to finance the purchase of various equipment, renovations to the Village swimming pool and to purchase vehicles for the street department. The notes are collateralized solely by the Village’s taxing authority.

The mortgage revenue bonds relate to a bond issue for the construction of a new sanitary sewer system. The bonds are collateralized by sewer receipts.

The bond anticipation notes relate to the construction of a new fire station and to an electric system improvement project between the Village and American Power-Ohio, Inc. The fire station bond anticipation notes were originally issued for \$400,000. As of December 31, 2004 the balance on these notes was \$ 176,308 and are backed by the full faith and credit of the Village and have maturity dates of five years or less. The notes pertaining to the electric system improvements were originally issued for \$1,000,000. As of December 31, 2004 the balance on these notes was \$ 970,000 and will be repaid from the electric receipts and have been issued for one year or less.

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

	<u>OPWC Loans</u>	<u>General Obligation Notes</u>	<u>Mortgage Revenue Bonds</u>
Year ending December 31:			
2005	\$ 30,770	\$ 73,309	\$ 70,396
2006	30,770	33,449	73,926
2007	30,770	20,600	77,409
2008	30,770	17,646	80,736
2009	30,770	14,357	83,943
2010-2014	148,447	-0-	87,031
2015-2019	134,238	-0-	-0-
2020-2025	<u>121,160</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$557,695</u>	<u>\$159,361</u>	<u>\$473,441</u>

**VILLAGE OF WOODSFIELD
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. TRANSFERS

The Village transferred money from the Law Enforcement Trust Fund to the General Fund during fiscal year 2004. The Village has complied with all applicable Ohio Revised Code rules and regulations.

10. SUBSEQUENT EVENTS/PENDING LITIGATION

The Village may be a defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially 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.

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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

Village of Woodsfield
Monroe County
221 South Main Street
Woodsfield, Ohio 43793

We have audited the accompanying financial statements of the Village of Woodsfield, Monroe County, Ohio (the "Village") as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 25, 2005, 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 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 opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2004-VWMC-003.

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 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 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. We believe the reportable condition described above is not a material weakness.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 25, 2005.

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 affect 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 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-VWMC-001 through 2004-VWMC-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 25, 2005.

This report is intended solely for the information and use of the management, the Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.

July 25, 2005

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-VWMC-001

Noncompliance Citation

Ohio Rev. Code Section 135.14 (0) (1) provides that investments under Section 135.14 can not be made unless a written investment policy approved by the treasurer or governing board is on file with the Auditor of State, with the following exceptions, found in Sections 135.14 (0) (2) and (0) (3), respectively:

- If a written investment policy is not filed with the Auditor of State, the Treasurer or governing board is permitted to invest the subdivision's interim monies only in interim deposits, no-load money market mutual funds, or STAROhio.
- A subdivision whose average annual portfolio of investments is \$100,000 or less is not required to file an investment policy, provided that the treasurer or governing board certifies to the Auditor of State that the treasurer or governing board will comply and is in compliance with the provisions of Section 135.01 to 135.21.

The Village did not have an investment policy. The Village's investments consisted of investments other than interim deposits, no-load money market mutual funds, or STAROhio, and were over \$100,000.

We recommend Village Council establish an investment policy and file such policy with the Auditor of State. The Village will establish and file an investment policy per the Ohio Revised Code.

FINDING NUMBER 2004-VWMC-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

The Village's legal level of control is the at the fund level. We noted the following funds had expenditures that exceeded appropriations at the fund level:

2003 Fund	Approved Appropriations	Expenditures	Variance
Special Revenue Fund:			
Park and Recreation	\$ 77,000	\$ 84,550	\$ (7,550)
Capital Projects Fund:			
Firehouse Building Fund	77,000	79,084	(2,084)

2004 Fund	Approved Appropriations	Expenditures	Variance
Capital Projects Fund:			
Firehouse Building Fund	78,000	142,988	(64,998)

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-VWMC-002 (Continued)

We recommend Village Council and the Clerk compare expenditures to appropriations on a monthly basis. If additional appropriations are needed, then Council and the Clerk should take the necessary steps to adopt supplemental appropriations, if possible to prevent expenditures from exceeding appropriations. Management will compare expenditures and appropriations in the future.

FINDING NUMBER 2004-VWMC-003

Reportable Condition

The pool operates a concession stand in which items are sold to pool patrons. The pool manager does not keep track of items purchased or sold in the stand. There is no reconciliation performed of items purchased by the Village and sold to patrons to inventory. We were able to determine that amounts collected at the concession stand were deposited properly.

If irregularities were to occur there is a possibility that they could go undetected.

We recommend that the Village Council consider contracting the concession function to a third-party. The cost required to properly account for the sales activity could possibly exceed the net income of such activity. This could also free up available staff for other pool related functions. Management will investigate.

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2002

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2002-31056-001	The Village did not have an investment policy, even though its investments were other than those allowed by the Ohio Revised Code without an approved investment policy.	NO	Not Corrected: This is repeated in the Schedule of Findings as item 2004-VWMC-001
2002-31056-002	The Village did not establish special funds for additional classes of revenue it received for particular purposes.	YES	The Village established special funds for each additional source of revenue with a particular purpose.
2002-31056-003	The Village did not certify the availability of funds prior to incurring obligations.	YES	The Village certified the availability of funds prior to incurring obligation.
2002-31056-004	Village had expenditures in excess of appropriations.	NO	This is repeated in the schedule of Findings as item 2004-VWMC-002
2002-31056-005	Village appropriations exceeded estimated revenue in certain funds.	YES	The Village properly appropriated funds based on estimated resources for each fund.
2002-31056-006	Village did not adequately reconcile items purchased for resale at the pool concession stand.	NO	This is repeated in the Schedule of Findings as item 2004-VWMC-003.



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VILLAGE OF WOODSFIELD

MONROE 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
MARCH 9, 2006**