



Dave Yost • Auditor of State

VILLAGE OF WOODSFIELD
MONROE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Woodsfield, Monroe County, Ohio (the Village), as of and for the year ended December 31, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Woodsfield, Monroe County, Ohio as of December 31, 2015, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

June 16, 2016

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$135,572	\$0	\$0	\$0	\$0	\$135,572
Municipal Income Tax	237,313	277,389	0	20,195	0	534,897
Intergovernmental	28,608	95,882	54,700	79,474	0	258,664
Special Assessments	273	0	0	0	0	273
Charges for Services	148,097	101,387	0	4,800	600	254,884
Fines, Licenses and Permits	21,370	1,546	0	0	0	22,916
Earnings on Investments	1,359	168	0	0	39,117	40,644
Miscellaneous	6,153	13,560	0	46	0	19,759
<i>Total Cash Receipts</i>	<u>578,745</u>	<u>489,932</u>	<u>54,700</u>	<u>104,515</u>	<u>39,717</u>	<u>1,267,609</u>
Cash Disbursements						
Current:						
Security of Persons and Property	394,246	23,990	0	0	0	418,236
Public Health Services	12,598	38,489	0	0	85,112	136,199
Leisure Time Activities	0	97,205	0	0	0	97,205
Transportation	0	248,111	0	0	0	248,111
General Government	266,236	30,357	0	0	0	296,593
Capital Outlay	0	152,556	0	27,400	9,811	189,767
Debt Service:						
Principal Retirement	120,400	5,061	42,747	60,767	2,461	231,436
Interest and Fiscal Charges	21,379	852	11,953	2,759	231	37,174
<i>Total Cash Disbursements</i>	<u>814,859</u>	<u>596,621</u>	<u>54,700</u>	<u>90,926</u>	<u>97,615</u>	<u>1,654,721</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(236,114)</u>	<u>(106,689)</u>	<u>0</u>	<u>13,589</u>	<u>(57,898)</u>	<u>(387,112)</u>
Other Financing Receipts (Disbursements)						
Sale of Notes	0	118,446	0	0	8,311	126,757
Other Financing Sources	0	17,402	0	0	0	17,402
Other Financing Uses	(7,950)	0	0	0	0	(7,950)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(7,950)</u>	<u>135,848</u>	<u>0</u>	<u>0</u>	<u>8,311</u>	<u>136,209</u>
<i>Net Change in Fund Cash Balances</i>	<u>(244,064)</u>	<u>29,159</u>	<u>0</u>	<u>13,589</u>	<u>(49,587)</u>	<u>(250,903)</u>
<i>Fund Cash Balances, January 1</i>	<u>682,847</u>	<u>87,083</u>	<u>0</u>	<u>151,741</u>	<u>1,433,107</u>	<u>2,354,778</u>
Fund Cash Balances, December 31						
Nonspendable	0	0	0	0	1,382,572	1,382,572
Restricted	0	72,909	0	144,596	948	218,453
Committed	0	43,333	0	20,734	0	64,067
Unassigned	438,783	0	0	0	0	438,783
<i>Fund Cash Balances, December 31</i>	<u>\$438,783</u>	<u>\$116,242</u>	<u>\$0</u>	<u>\$165,330</u>	<u>\$1,383,520</u>	<u>\$2,103,875</u>

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$3,960,274	\$0	\$3,960,274
Fines, Licenses and Permits	4,142	0	4,142
<i>Total Operating Cash Receipts</i>	<u>3,964,416</u>	<u>0</u>	<u>3,964,416</u>
Operating Cash Disbursements			
Personal Services	695,088	0	695,088
Employee Fringe Benefits	366,061	0	366,061
Contractual Services	2,110,302	0	2,110,302
Supplies and Materials	450,643	0	450,643
Other	6,852	0	6,852
<i>Total Operating Cash Disbursements</i>	<u>3,628,946</u>	<u>0</u>	<u>3,628,946</u>
<i>Operating Income</i>	<u>335,470</u>	<u>0</u>	<u>335,470</u>
Non-Operating Receipts (Disbursements)			
Property and Other Local Taxes	6,213	0	6,213
Intergovernmental	2,000	0	2,000
Sale of Notes	581,980	0	581,980
Other Non-Operating Cash Receipts	10,669	26,835	37,504
Capital Outlay	(479,597)	0	(479,597)
Principal Retirement	(522,802)	0	(522,802)
Interest and Other Fiscal Charges	(56,036)	0	(56,036)
Other Financing Sources	4,522	0	4,522
Other Non-Operating Cash Disbursements	0	(26,835)	(26,835)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(453,051)</u>	<u>0</u>	<u>(453,051)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(117,581)</u>	<u>0</u>	<u>(117,581)</u>
<i>Fund Cash Balances, January 1</i>	<u>790,646</u>	<u>0</u>	<u>790,646</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$673,065</u></u>	<u><u>\$0</u></u>	<u><u>\$673,065</u></u>

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Woodsfield, Monroe County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, electric and television cable utilities, park operations, cemetery services, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits and Investments

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

The Village values certificates of deposit, mortgage-backed securities, and common stock at cost.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Debt Service Fund - This fund accounts for gasoline tax and motor vehicle license tax revenue the Village accumulates to pay the principal and interest of certain note debt issues.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

Firehouse Building Fund – This fund receives money from Center Township, Monroe County, which is used to pay equipment debt issues for the fire department.

Building Fund – This fund receives money from the municipal income tax and charges for services which is used to pay for maintenance, repair, and/or improvement of municipal buildings.

5. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant Permanent Fund:

Brague Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Oak Lawn Cemetery.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Enterprise Funds

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

Electric Operating Fund - This fund receives charges for services from residents to cover electric service costs.

7. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for activity of the Mayor's Court. This fund receives fines and forfeitures from police department citations. These monies are divided between the Village and the State, as prescribed by law.

E. Budgetary Process

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

1. Appropriations

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

2. 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 approve estimated resources.

3. Encumbrances

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

A summary of 2015 budgetary activity appears in Note 3.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

Fund balance is divided into four classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015
Demand deposits	\$1,404,628
Certificates of deposit	129,000
Other time deposits (savings accounts)	1,000
Total deposits	1,534,628
Mortgage-backed securities and common stock	1,242,312
Total investments	1,242,312
Total deposits and investments	\$2,776,940

At December 31, 2015, the Village's investment broker held \$456,317 in common stocks as part of the Brague Endowment Fund. This was the fair value of the common stock at December 31, 2015. Common stock is not an eligible investment for the Village under Ohio law.

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Investments: The Federal Reserve holds the Village's mortgage-backed securities in book-entry form in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015, follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,224,424	\$578,745	(\$645,679)
Special Revenue	728,338	625,780	(102,558)
Debt Service	60,650	54,700	(5,950)
Capital Projects	107,200	104,515	(2,685)
Enterprise	5,350,953	4,569,800	(781,153)
Permanent	100,135	48,028	(52,107)
Total	\$7,571,700	\$5,981,568	(\$1,590,132)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,911,580	\$822,809	\$1,088,771
Special Revenue	835,626	596,621	239,005
Debt Service	60,650	54,700	5,950
Capital Projects	253,251	90,926	162,325
Enterprise	6,122,936	4,687,381	1,435,555
Permanent	120,168	97,615	22,553
Total	\$9,304,211	\$6,350,052	\$2,954,159

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, appropriations exceeded estimated resources in the General, Street Construction, and Brague Endowment Funds' by \$96,876, \$15,724, and \$10,646, respectively, for the year ended December 31, 2015.

4. PROPERTY TAX

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

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

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

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2015, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$475,047	0.00 - 0.02%
Ohio Water Development Authority Loans	911,893	0.00 - 4.50%
General Obligation Notes	345,249	3.50 - 5.00%
General Obligation Bonds	1,022,029	4.00 - 4.38%
Bond Anticipation Note	401,500	1.125%
Total	\$3,155,718	

The Ohio Public Works Commission (OPWC) loans relate to water line, sewer line, and water and sewer plant improvement projects the Ohio Environmental Protection Agency mandated. The OPWC approved \$956,319 in loans to the Village for these projects. The Village will repay the loans in semiannual installments over 20 years. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) loans relate to various waterline extension projects and the purchase of a lake. The OWDA approved \$1,259,645 in loans to the Village for these projects. The Village will repay the loan in semiannual installments of \$36,885, including interest, over a total of 30 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

6. DEBT (Continued)

The Village issued general obligation notes to finance the purchase of a garage, the purchase of new equipment and trucks for the street and utility departments, and the purchase of a fire truck. The Village's taxing authority collateralized the notes.

The Village issued general obligation bonds to finance the purchase of a television cable system and a new fire truck. The Village's taxing authority collateralized the bonds issued for the fire truck and the bond issued for the cable system is collateralized by cable receipts.

The Village issued bond anticipation notes for the construction of the electric system substation. The notes have been issued for 1 year and will be paid from electric receipts.

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

Year ending December 31:	OPWC Loans	OWDA Loans	General Obligation Notes	General Obligation Bonds	Bond Anticipation Note
2016	\$46,520	\$73,770	\$75,023	\$98,864	\$401,500
2017	44,994	73,770	64,277	98,846	
2018	43,468	73,770	58,953	98,923	
2019	43,468	73,770	58,403	98,892	
2020	43,468	73,770	29,719	95,656	
2021-2025	158,519	368,851	69,307	478,281	
2026-2030	103,237	190,320	66,998	382,625	
2031-2035	9,225	116,566			
2036-2040		46,626			
Total	<u>\$492,899</u>	<u>\$1,091,213</u>	<u>\$422,680</u>	<u>\$1,352,087</u>	<u>\$401,500</u>

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 3,000 kilowatts of a total 771,281 kilowatts, giving the Village a 0.39 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them.

As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$518,407. The Village received a credit of \$201,491 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$135,675 related to the AMPGS costs deemed to have future benefit for the project participants, and payments made of \$95,035 leaving a net impaired cost estimate of \$86,206. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. These amounts will be recorded as they become estimable. The Village began making payments in 2012.

The Village intends to recover these costs and repay AMP through a power cost adjustment of \$2,022 per month until the liability is paid in full.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

7. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015, OP&F participants contributed 11.50% through June 30, 2015 and 12.25% of their wages effective July 1, 2015. For 2015, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Village Council members contributed to Social Security. For 2015, these officials contributed 6.2% of their gross salary. For 2015, the Village contributed an amount equal to 6.2% of the participant's gross salary. The Village has paid all contributions required through December 31, 2015.

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. SUBSEQUENT EVENTS

- Village Council approved the renewal of the \$489,500 2015 year bond anticipation note. The 2016 renewal was issued for \$393,500 at a percentage rate of 1.25%. The note is dated January 21, 2016 with maturity date of January 20, 2017.
- On March 11, 2016, the Village was awarded 2 loans in the total amount of \$824,000 and a grant in the amount of \$217,000 from the United States Department of Agriculture Rural Development for water system improvements.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

10. SEGMENT INFORMATION

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

	2015
Total Assets	\$366,052
Total Liabilities	401,500
Condensed Operating Information:	
Operating Receipts	
Charges for Services	2,159,827
Total Operating Receipts	2,159,827
Operating Expenses	2,087,671
Operating Income	72,156
Nonoperating Receipts (Disbursements)	
Property & Other Local Taxes	6,213
Sale of Notes	489,500
Miscellaneous Receipts	5,836
Capital Outlay	(231,195)
Principal Retirement	(414,595)
Interest Payments	(6,100)
Change in Fund Cash Balance	(78,185)
Beginning Fund Cash Balance	444,237
Ending Fund Cash Balance	\$366,052
Condensed Cash Flows Information:	
	2015
Net Cash Provided by:	
Operating Activities	\$72,156
Noncapital Financing Activities	
Other Noncapital Financing Activities	12,049
Net Cash Provided (Used) by Noncapital Financing Activities	12,049
Capital and Related Financing Activities	
Proceeds of Capital and Related Debt	489,500
Principal Payments on Capital and Related Debt	(414,595)
Interest Payments on Capital and Related Debt	(6,100)
Other Capital and Related Financing Activities	(231,195)
Net Cash Provided (Used) by Capital and Related Financing Activities	(162,390)
Net (Decrease)	(78,185)
Beginning Fund Cash Balance	444,237
Ending Fund Cash Balance	\$366,052

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Woodsfield, Monroe County, Ohio (the Village), as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 16, 2016, wherein we noted the Village followed financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2015-003, 2015-004, 2015-006, and 2015-007 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2015-001 through 2015-005.

Village's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

June 16, 2016

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015

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

FINDING NUMBER 2015-001

Noncompliance

Ohio Rev. Code § 133 allows various methods for subdivisions to incur debt. Ohio Rev. Code § 133.22 allows a subdivision to issue anticipatory-securities; Ohio Rev. Code § 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision. Ohio Rev. Code § 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct and Ohio Rev. Code § 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

The Village has issued commercial promissory notes with a local banking institution for various purposes. This type of debt does not meet the criteria for any of the debt allowed in Ohio Rev. Code § 133.

The Ohio Revised Code contains various methods of incurring debt for Villages. Installment loans and promissory notes with banking institutions are not legal methods of incurring debt by Villages.

The Village should consult with legal counsel when Council anticipates incurring debt to help ensure it is an allowable type of debt.

Officials' Response: The Village has for at least fifteen years incurred debt through installment loans and promissory notes with banking institutions with no findings issued but will in the future consult with legal counsel on any anticipated debt to ensure it is an allowable type of debt.

FINDING NUMBER 2015-002

Noncompliance

Ohio Rev. Code § 5705.39 states, in part, that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure therefrom, as certified by the budget commission. No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the total official estimate or amended official estimate.

As of December 31, 2015, appropriations exceeded estimated resources in the following funds:

Fund	Estimated Resources	Appropriations	Variance
General	\$1,814,704	\$1,911,580	(\$96,876)
Street Construction	451,012	466,736	(15,724)
Brague Endowment	106,270	116,916	(10,646)

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015
(Continued)

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

FINDING NUMBER 2015-002 (Continued)

Noncompliance – Ohio Rev Code § 5705.39 (Continued)

The Village should monitor appropriations and estimated resources and file amendments as needed with the County Auditor to ensure the total appropriations from each fund do not exceed the total official estimate or amended official estimate. This will help to reduce the risk of disbursements exceeding actual revenues available and will add a measure of control over the Village's budgetary process.

Officials' Response: The Village will work to ensure appropriations do not exceed estimated resources in the future.

FINDING NUMBER 2015-003

Noncompliance and Material Weakness

Ohio Rev. Code § 5727.81(A) states, in part, for the purpose of raising revenue to fund the needs of this state and its local governments, an excise tax is hereby levied and imposed on an electric distribution company for all electricity distributed by such company at a variable rate that decreases as kilowatt-hour usage increases on the meters of end users.

Ohio Rev. Code § 5727.82(A)(3) states, in part, if the electric distribution company required to pay the tax imposed by Ohio Rev. Code § 5727.81 is a municipal electric utility, it may retain in its general fund that portion of the tax on the kilowatt hours distributed to end users located within the boundaries of the municipal corporation.

During 2015, the Village did not allocate its inside kilowatt tax to the General Fund thus understating the General Fund Property and Other Local Taxes and overstating Electric Operating Fund Property and Other Local Taxes by \$93,396.

The adjustment, with which management agrees, has been posted to the accounting records and is reflected in the accompanying financial statements.

The Village should refer to Auditor of State Bulletin 2001-011 for guidance on the regulations and proper accounting of the Electric Deregulation Kilowatt-Hour (kWh) Tax that is due to the Village's General Fund.

Officials' Response: The Village has kept the inside and outside usage separate but ultimately going into the electric operating fund for the last 14 years. We will correct it starting with 2016.

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015
(Continued)

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

FINDING NUMBER 2015-004

Noncompliance and Material Weakness

Woodsfield, Ordinance 947-98 (10/5/98) requires, in part, that the monies or assets received from the bequest shall be preserved intact, without withdrawal or diminution, to earn interest for the operation and maintenance of Oaklawn Cemetery. Only the investment income or interest shall be used from this fund. In addition, the Last Will and Testament of the donor requires that income only be used for the care and maintenance of Oaklawn Cemetery.

The Village maintains an investment account for the Brague Endowment Fund. During 2015, the Village withdrew money from the investment account as needed and posted the withdrawn amounts as receipts. The amounts withdrawn were based on the Village's cash flow needs at the time of request and were not based on actual income of the investment account. This resulted in receipts being overstated by \$51,230 in the Brague Endowment Fund.

This adjustment, to which management agrees, is reflected in the accompanying financial statements and has been posted to the Village's accounting records.

The Village should only post the actual investment income received for the Brague Endowment Fund investment account as revenue and limit the disbursements to investment income received.

Officials' Response: The Village is working with the Village Solicitor to make sure that the Brague Endowment is properly maintained.

FINDING NUMBER 2015-005

Noncompliance

Article VIII, §§ 4 and 6 of the Ohio Constitution prohibits public bodies from becoming a "stockholder in any joint stock company, corporation or association."

The Village Council adopted an investment policy on January 20, 2009, which did not list common stock as an allowable investment.

The Village's investment broker, who handles the investment of the monies held in the Village's Brague Endowment Fund (a permanent trust fund), invested part of these monies in various common stocks during 2015. The fair market value of the Village's investments in common stocks at December 31, 2015 was \$456,317, or 43%, of the Village's investment account for the Brague endowment.

Village Council should contact their investment broker and consider liquidating their common stock holdings and reinvesting the proceeds in eligible investments in compliance with their investment policy and Article VIII, §§ 4 and 6 of the Ohio Constitution.

Officials' Response: The Village has requested a legal opinion from the Village Solicitor to allow the investing and the trading of stock and to also amend the Village investment policy to reflect such opinion.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-006

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The Village Officer's Handbook (revised March 2016) and the UAN Accounting and General Manual (revised November 2015) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

We noted the following:

- The Village Fiscal Officer did not record bond anticipation note proceeds and principal payments of \$318,595 within the Electric Operating Enterprise Fund for the issuance of bond anticipation notes through AMP Ohio to their accounting records.
- Homestead and Rollback taxes in the amount of \$7,042 were posted to Property and Other Local Taxes instead of Intergovernmental in the General Fund.
- Interest income in the amount of \$30,000 was posted to Miscellaneous instead of Earnings on Investments in the Brague Endowment Fund.

The adjustments above were agreed to by Village management and are reflected in the accompanying financial statements.

The Ohio Village Officer's Handbook also provides five suggested fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

We noted the following:

- The Village classified the fund balance of the Cemetery, Parks and Recreation, Income Tax, and Sidewalk Maintenance Funds' in the amount of \$23,104, \$15,240, \$1,489, and \$3,500, respectively, as restricted rather than committed fund balance as appropriate.
- The Village classified the fund balance of the Building Fund, Capital Projects Fund-Type in the amount of \$20,734 as restricted rather than committed fund balance as appropriate. A percentage of income taxes go to the Building Fund. The Village Council imposed an internal constraint on the resources in this fund and compliance with constraints imposed by the local government is not considered to be legally enforceable. Restricted fund balance constraints are externally imposed or are enacted through enabling legislation and are legally enforceable.
- The Village classified the fund balance of the Cemetery Endowment and Brague Endowment Funds, Permanent Fund-Type, in the amount of \$130,000 and \$1,252,572, respectively, as restricted rather than nonspendable fund balance as appropriate. Under Governmental Accounting Standards Board Statement (GASB) 54, the principal of a permanent fund is reported as nonspendable.

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015
(Continued)

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

FINDING NUMBER 2015-006 (Continued)

Material Weakness (Continued)

The adjustments to the fund balance classifications above were agreed to by Village management and are reflected in the accompanying financial statements.

When Village Council rolls over a note debt issue, the activity should be posted to the Village's accounting records as a memo receipt and expenditure. The Village Fiscal Officer should also appropriately classify and record all receipt and fund balance transactions based on the source of the receipt and upon the constraints placed upon the use of the resources.

Officials' Response: The Uniform Accounting System (UAN) that the Village uses does not have the capability to properly post note rollovers and the Village Clerk will work to make sure receipt and fund balance classifications are correct.

FINDING NUMBER 2015-007

Material Weakness

The Village should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on remaining uncommitted appropriation balances.

The Village Fiscal Officer did not always accurately post legislatively approved appropriations, and any amendments made to the appropriations, to the accounting system for the funds noted below. A variance existed between the legislatively approved appropriation resolution/amendments and the amount posted to the accounting system. The following table details this variance:

Fund	Amount Per Annual Appropriation Resolution	Amounts Posted to the Accounting System	Variance
General	\$1,911,580	\$1,814,704	\$96,876
Street Construction	466,736	451,012	15,724
Brague Endowment	116,916	106,270	10,646

Because the information entered into the accounting system was not always accurate, the amount reported in Note 3 to the financial statements, in order to accurately present budget versus actual information, only includes appropriations approved by the Village Council.

Village Council should approve all appropriation amendments, record approval in the Council minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Village Fiscal Officer should post these amendments only after obtaining the required approvals.

Officials' Response: The Village will work to get all appropriation amendments approved by Council.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Noncompliance – Ohio Rev. Code § 133 for unallowable debt.	No	Not Corrected; Repeated as Finding No. 2015-001.
2014-002	Noncompliance and Material Weakness – Ohio Rev. Code § 5727.81 (A) for not allocating inside kilowatt tax to the General Fund	No	Not Corrected; Repeated as Finding No. 2015-003.
2014-003	Noncompliance and Material Weakness – Woodsfield, Ordinance 947-98 for receipts not being recorded correctly and non-spendable portion of investments being spent.	No	Not Corrected; Repeated as Finding No. 2015-004.
2014-004	Noncompliance – Article VIII, §§ 4 and 6 of the Ohio Constitution for having investments in common stock.	No	Not Corrected; Repeated as Finding No. 2015-005.
2014-005	Material Weakness – for not recording receipts, disbursements, and fund balance into accurate classifications or not recording all such transactions.	No	Not Corrected; Repeated as Finding No. 2015-006.



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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
JUNE 30, 2016