



Dave Yost • Auditor of State

VILLAGE OF WOODSFIELD
MONROE COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

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

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

Dave Yost
Auditor of State

June 24, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Woodsfield, Monroe County, Ohio (the Village), as of and for the year ended December 31, 2010. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

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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, 2010 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, 2010, or its changes in financial position or cash flows, where applicable 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, Ohio, as of December 31, 2010, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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 June 24, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

June 24, 2011

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, 2010**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$49,729			\$77,943		\$127,672
Municipal Income Tax	193,986	\$237,354		16,868		448,208
Intergovernmental	26,787	92,738	\$27,118	7,975		154,618
Charges for Services	135,662	76,022		7,050	\$600	219,334
Fines, Licenses and Permits	15,183	1,260				16,443
Earnings on Investments	2,387				68,089	70,476
Miscellaneous	15,879	59,690				75,569
Total Cash Receipts	439,613	467,064	27,118	109,836	68,689	1,112,320
Cash Disbursements:						
Current:						
Security of Persons and Property	317,581	32,354				349,935
Public Health Services	14,431	15,502			69,895	99,828
Leisure Time Activities		94,957				94,957
Transportation		263,240				263,240
General Government	165,555	27,674				193,229
Debt Service:						
Redemption of Principal		10,048	22,553	158,998		191,599
Interest and Fiscal Charges	250	1,593	4,565	1,563		7,971
Capital Outlay	2,448	449,115		381,143		832,706
Total Cash Disbursements	500,265	894,483	27,118	541,704	69,895	2,033,465
Total Cash Receipts Over/(Under) Cash Disbursements	(60,652)	(427,419)	0	(431,868)	(1,206)	(921,145)
Other Financing Receipts / (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes		425,899		435,681		861,580
Transfers-Out		(10,000)				(10,000)
Other Financing Sources		16,422				16,422
Total Other Financing Receipts / (Disbursements)	0	432,321	0	435,681	0	868,002
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(60,652)	4,902	0	3,813	(1,206)	(53,143)
Fund Cash Balances, January 1	76,073	213,495		93,123	1,454,505	1,837,196
Fund Cash Balances, December 31	\$15,421	\$218,397	\$0	\$96,936	\$1,453,299	\$1,784,053
Reserve for Encumbrances, December 31	\$1,141	\$4,986	\$0	\$2,731	\$0	\$8,858

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$3,517,475		\$3,517,475
Fines, Licenses and Permits	2,165	\$18,965	21,130
Total Operating Cash Receipts	3,519,640	18,965	3,538,605
Operating Cash Disbursements:			
Personal Services	572,436		572,436
Employee Fringe Benefits	221,616		221,616
Contractual Services	1,949,263		1,949,263
Supplies and Materials	384,578		384,578
Other	6,086	18,965	25,051
Total Operating Cash Disbursements	3,133,979	18,965	3,152,944
Operating Income/(Loss)	385,661	0	385,661
Non-Operating Cash Receipts:			
Property and Other Local Taxes	94,116		94,116
Special Assessments	2,810		2,810
Sale of Notes	145,133		145,133
Miscellaneous Receipts	3,162		3,162
Other Non-Operating Cash Receipts	17,579		17,579
Total Non-Operating Cash Receipts	262,800	0	262,800
Non-Operating Cash Disbursements:			
Capital Outlay	134,338		134,338
Redemption of Principal	337,927		337,927
Interest and Other Fiscal Charges	103,437		103,437
Other Non-Operating Cash Disbursements	3,027		3,027
Total Non-Operating Cash Disbursements	578,729	0	578,729
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	69,732	0	69,732
Transfers-In	10,000		10,000
Advances-In	25,000		25,000
Advances-Out	(25,000)		(25,000)
Net Receipts Over/(Under) Disbursements	79,732	0	79,732
Fund Cash Balances, January 1	740,727		740,727
Fund Cash Balances, December 31	\$820,459	\$0	\$820,459
Reserve for Encumbrances, December 31	\$125,597	\$0	\$125,597

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, 2010**

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

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

C. Deposits and Investments

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

The Village values certificate of deposits, 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Ohio Water Development Authority Fund – This fund receives loan proceeds for construction improvement projects related to the Village's water utility system.

3. Debt Service Fund

This fund accounts for gasoline tax revenue the Village accumulates to pay the principal and interest of certain note debt issues.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Firehouse Building Fund – This fund receives property taxes and note debt issue proceeds for the building and equipment of the volunteer fire department.

5. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant Permanent Fund:

Braque 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.

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.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

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

1. Summary of Significant Accounting Policies Continued)

D. Fund Accounting (Continued)

7. Fiduciary Funds (Continued)

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 the activity of the Village Mayor's Court.

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

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

2. Equity in Pooled Deposits and Investments (Continued)

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:

	2010
Demand deposits	\$1,129,675
Certificates of deposit	129,000
Other time deposits (savings account)	1,000
Total deposits	1,259,675
Mortgage-backed securities and common stock	1,344,837
Total investments	1,344,837
Total deposits and investments	\$2,604,512

At December 31, 2010, the Village's investment broker held \$135,829 in common stocks as part of the Brague Endowment Fund. This was the fair value of the common stock at December 31, 2010. 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: Mortgage-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.

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2010, follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$765,815	\$439,613	(\$326,202)
Special Revenue	1,034,268	909,385	(124,883)
Debt Service	28,000	27,118	(882)
Capital Projects	1,237,643	545,517	(692,126)
Enterprise	5,600,178	3,792,440	(1,807,738)
Permanent	92,854	68,689	(24,165)
Total	\$8,758,758	\$5,782,762	(\$2,975,996)

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

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

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$809,505	\$501,406	\$308,099
Special Revenue	1,229,557	909,469	320,088
Debt Service	28,000	27,118	882
Capital Projects	1,041,483	544,435	497,048
Enterprise	4,314,275	3,838,305	475,970
Permanent	263,646	69,895	193,751
Total	\$7,686,466	\$5,890,628	\$1,795,838

Contrary to Ohio law, budgetary expenditures exceeded appropriating authority in the Street Paving Project Fund by \$7,975; in the WTP Sludge Handling Fund by \$57,492; in the Water Operating Fund by \$15,670; and in the Electric Operating Fund by \$66,962.

4. Property Tax

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

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

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

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

5. 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.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

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

6. Debt

Debt outstanding at December 31, 2010, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$313,436	0.00 - 2.00%
Ohio Water Development Authority Loans	990,465	2.00 - 4.5%
General Obligation Notes	536,873	4.00 - 5.85%
General Obligation Bonds	1,279,944	4.00 - 4.38%
Bond Anticipation Note	590,000	2.25%
Total	<u>\$3,710,718</u>	

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 \$587,298 in loans to the Village for these projects. The Village will repay the loans in semiannual installments of \$15,385, including interest, 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 Village also has outstanding Ohio Public Works Commission (OPWC) loans in the total amount of \$379,010 relating to water filtration and sludge handling improvements for the water and sewer plants. As of December 31, 2010, \$324,384 of these proceeds has been received by the Village. The final amount of the loan is subject to change based on the close-out of the project and the actual amounts utilized by the Village. The loans will be collateralized by water and sewer receipts.

The Ohio Water Development Authority (OWDA) loans relate to various waterline extension projects and the purchase of a lake. The OWDA approved \$1,216,166 in loans to the Village for this project. The Village will repay the loan in semiannual installments of \$31,584, 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.

The Village also has outstanding Ohio Water Development Authority (OWDA) loans in the total amount of \$234,256 relating to waterline extensions. As of December 31, 2010, \$173,239 of these proceeds has been received by the Village. The final amount of the loans is subject to change based on the close-out of the project and the actual amounts utilized by the Village. The loans will be collateralized by water receipts.

The Village issued general obligation notes to finance the operation of the Village's park and recreation department, the purchase of a park tractor, the purchase of a garage, the purchase of new equipment for the street and utility departments, the purchase of a fire truck, and light plant operating expenses. 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:

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

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

6. Debt (Continued)

Year ending December 31:	OPWC Loans	OWDA Loans	General Obligation Notes	General Obligation Bonds	Bond Anticipation Note
2011	\$30,771	\$63,168	\$139,906	\$98,889	\$600,325
2012	30,770	63,168	97,713	98,893	
2013	30,771	63,168	82,690	98,892	
2014	28,069	63,168	77,453	98,887	
2015	28,069	63,168	77,453	98,877	
2016-2020	129,662	315,842	69,307	491,181	
2021-2025	66,263	315,842	69,307	478,281	
2026-2030	10,982	150,565	66,998	382,625	
2031-2035		116,566			
2036-2040		46,626			
Total	<u>\$355,357</u>	<u>\$1,261,281</u>	<u>\$680,827</u>	<u>\$1,846,525</u>	<u>\$600,325</u>

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 2010, OP&F participants contributed 10% of their wages. For 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

One Village official chose not to belong to OPERS and instead contributed to Social Security. For 2010, this official contributed 6.2% of their gross salary. For 2010, 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, 2010.

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. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

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

10. Subsequent Event

Village Council approved the renewal of the \$662,000 2010 year bond anticipation note. The 2011 renewal was issued for \$590,000 at a percentage rate of 1.75%. The note is dated January 21, 2011 with maturity date of January 20, 2012.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Woodsfield, Monroe County, Ohio (the Village), as of and for the year ended December 31, 2010, and have issued our report thereon dated June 24, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2010-003 to be a significant deficiency. 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.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 24, 2011.

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



Dave Yost
Auditor of State

June 24, 2011

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010

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

FINDING NUMBER 2010-001

Noncompliance Citation

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

As of December 31, 2010, the following funds reflected expenditures which exceeded appropriations:

Fund Type / Fund	Appropriations	Expenditures	Variance
Capital Projects Funds			
Street Paving Project	\$0	\$7,975	(\$7,975)
WTP Sludge Handling	0	57,492	(57,492)
Enterprise Funds			
Water Operating	524,871	540,541	(15,670)
Electric Operating	2,114,721	2,181,683	(66,962)

The Village's failure to limit expenditures to the amounts appropriated could result in deficit spending.

We recommend Village Council and the Fiscal Officer compare expenditures to appropriations on a monthly basis at the legal level of control. *Government Accounting, Auditing, and Financial Reporting* defines the "legal level of budgetary control" as "the level at which spending in excess of budgeted amounts would be a violation of law." In Ohio, the legal level of control is the level at which the local government's legislative authority passes the appropriation measure.

Ohio Rev. Code 5705.38(C) requires the following minimum level of budgetary control for "subdivisions" other than schools: "Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, division, and, within each, the amount appropriated for personal services." Governments may adopt more stringent legal levels of budgetary control if they wish. If appropriations in addition to those already adopted will be needed, Village Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

FINDING NUMBER 2010-002

Noncompliance Citation

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

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010
(Continued)

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

FINDING NUMBER 2010-002 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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

1. **"Then and Now" Certificate** – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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

2. **Blanket Certificate** - Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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

The Fiscal Officer did not obtain prior certification for 33% of transactions tested. The Fiscal Officer did not consistently require certification of a purchase order before the Village incurred an obligation. The Fiscal Officer's failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010
(Continued)**

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

FINDING NUMBER 2010-002 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Village incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the appropriation code, to reduce the available appropriation.

FINDING NUMBER 2010-003

Significant Deficiency

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 unrealized budgetary receipts and remaining uncommitted appropriation balances.

The Fiscal Officer did not always accurately post budgeted receipts, and any amendments made to them, to the accounting system. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system. The following table details these variances:

<u>Fund</u>	<u>Amount Per Last Amended Certificate</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
Street Construction	\$502,727	\$555,871	\$53,144
Parks and Recreation	137,000	159,057	22,057
Ohio Water Development Authority	296,713	161,349	(135,364)
Fire Equipment	13,758	35,185	21,427
Community Development Block Grant	0	4,988	4,988
Firehouse Building	639,366	449,620	(189,746)
Street Paving Project	0	370,000	370,000
WTP Sludge Handling	0	83,241	83,241
Water Operating	499,097	544,286	45,189
Sewer Operating	259,325	293,896	34,571
Light Improvement/Emergency	1,042,000	155,871	(886,129)
Brague Endowment	87,550	1,453,159	1,365,609

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010
(Continued)**

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

FINDING NUMBER 2010-003 (Continued)

Significant Deficiency (Continued)

The Fiscal Officer did not always accurately post appropriations, and any amendments made to the appropriations, to the accounting system. Variances existed between the appropriation resolution/amendments and the amounts posted to the accounting system. The following table details these variances:

<u>Fund</u>	<u>Amount Per Annual Appropriation Resolution</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
General	\$808,500	\$598,167	(\$210,333)
Street Construction	559,814	467,318	(92,496)
State Highway	17,000	15,000	(2,000)
Parks and Recreation	156,000	158,387	2,387
Ohio Water Development Authority	323,143	266,898	(56,245)
Drug Law Enforcement	50,000	5,000	(45,000)
Law Enforcement	16,950	12,000	(4,950)
Fire Equipment	35,000	25,224	(9,776)
Sidewalk Maintenance/Improvement	7,700	1,000	(6,700)
Other Debt Service	28,000	27,118	(882)
Firehouse Building	439,561	446,266	6,705
Ohio Public Works Commission	570,922	99,817	(471,105)
Street Paving Project	0	370,000	370,000
WTP Sludge Handling	0	57,492	57,492
Water Operating	522,000	544,283	22,283
Sewer Operating	283,000	277,322	(5,678)
Electric Operating	2,110,000	2,124,717	14,717
Light Improvement/Emergency	250,000	155,000	(95,000)
Cable System	665,000	705,750	40,750
Brague Endowment	255,000	169,673	(85,327)

Because the information entered into the accounting system was not always accurate, adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations approved by the Village Council and only include budgeted receipts as certified by the County Auditor.

We recommend Village Council approve all appropriation amendments, record approval in the Board 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 Fiscal Officer should post these amendments only after obtaining the required approvals. We also recommend the Fiscal Officer record only estimated receipts from the Certificate of Estimated Resources and any amendments thereto.

Officials' Responses:

We did not receive a response from the Officials to the findings reported above.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Material Weakness for posting of receipts and expenditures to inaccurate classifications and not recording the annual redemption and issuance of note debt activity.	No	Partially Corrected; repeated within the Management Letter.
2009-002	Ohio Rev. Code Section 5705.39 - appropriations exceeded estimated resources in several funds.	Yes	N/A.
2009-003	Ohio Rev. Code Section 5705.41(B) - expenditures exceeded appropriations in several funds.	No	Not Corrected; Repeated as Finding No. 2010-001.
2009-004	Ohio Rev. Code Section 5705.41(D)(1) - for not always obtaining prior certification of available funds for obligations.	No	Not Corrected; Repeated as Finding No. 2010-002.
2009-005	24 CFR Part 85.20 Cash Management – not always spending Community Development Block Grant monies within 15 days of receipts.	N/A	Finding No Longer Valid.
2009-006	OMB Circular A-133, Subpart B, Section .200 for no single audit within nine months of year-end.	N/A	Finding No Longer Valid.

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Dave Yost • Auditor of State

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
JULY 14, 2011