



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 and related notes of the Village of Woodsfield, Monroe County, Ohio (the Village), as of and for the year ended December 31, 2013.

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 Section 117.38 and Ohio Administrative Code Section 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 opinion.

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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013, 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, 2013, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 6, 2014, 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 6, 2014

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, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$38,839					\$38,839
Municipal Income Tax	241,590	\$285,445		\$20,710		547,745
Intergovernmental	37,356	59,308	\$56,111	72,039		224,814
Charges for Services	155,224	80,948		4,800	\$450	241,422
Fines, Licenses and Permits	35,956	2,885				38,841
Earnings on Investments	580	554			20,994	22,128
Miscellaneous	15,620	20,451			952	37,023
<i>Total Cash Receipts</i>	<u>525,165</u>	<u>449,591</u>	<u>56,111</u>	<u>97,549</u>	<u>22,396</u>	<u>1,150,812</u>
Cash Disbursements						
Current:						
Security of Persons and Property	366,357	52,994				419,351
Public Health Services	12,771	38,588			51,902	103,261
Leisure Time Activities		79,635				79,635
Transportation		285,895				285,895
General Government	165,467	31,458		2,713		199,638
Capital Outlay		59,896		38,840		98,736
Debt Service:						
Principal Retirement	2,400		41,967	55,538		99,905
Interest and Fiscal Charges	836		14,144	8,054		23,034
<i>Total Cash Disbursements</i>	<u>547,831</u>	<u>548,466</u>	<u>56,111</u>	<u>105,145</u>	<u>51,902</u>	<u>1,309,455</u>
<i>Excess of Cash Receipts (Under) Cash Disbursements</i>	<u>(22,666)</u>	<u>(98,875)</u>	<u>0</u>	<u>(7,596)</u>	<u>(29,506)</u>	<u>(158,643)</u>
Other Financing Receipts						
Sale of Notes		49,940				49,940
Other Financing Sources		6,912				6,912
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>56,852</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>56,852</u>
<i>Net Change in Fund Cash Balances</i>	<u>(22,666)</u>	<u>(42,023)</u>	<u>0</u>	<u>(7,596)</u>	<u>(29,506)</u>	<u>(101,791)</u>
<i>Fund Cash Balances, January 1</i>	<u>36,976</u>	<u>134,852</u>	<u>0</u>	<u>150,493</u>	<u>1,428,895</u>	<u>1,751,216</u>
Fund Cash Balances, December 31						
Nonspendable					1,398,355	1,398,355
Restricted		92,829		114,115	1,034	207,978
Committed				28,782		28,782
Unassigned	14,310					14,310
<i>Fund Cash Balances, December 31</i>	<u>\$14,310</u>	<u>\$92,829</u>	<u>\$0</u>	<u>\$142,897</u>	<u>\$1,399,389</u>	<u>\$1,649,425</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, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$3,908,690		\$3,908,690
Fines, Licenses and Permits	3,581		3,581
<i>Total Operating Cash Receipts</i>	<u>3,912,271</u>	<u>\$0</u>	<u>3,912,271</u>
Operating Cash Disbursements			
Personal Services	668,010		668,010
Employee Fringe Benefits	283,584		283,584
Contractual Services	2,226,063		2,226,063
Supplies and Materials	488,410		488,410
Other	6,448		6,448
<i>Total Operating Cash Disbursements</i>	<u>3,672,515</u>	<u>0</u>	<u>3,672,515</u>
<i>Operating Income</i>	<u>239,756</u>	<u>0</u>	<u>239,756</u>
Non-Operating Receipts (Disbursements)			
Property and Other Local Taxes	98,494		98,494
Sale of Notes	434,000		434,000
Other Non-Operating Cash Receipts	28,872	43,226	72,098
Capital Outlay	(108,771)		(108,771)
Principal Retirement	(658,397)		(658,397)
Interest and Other Fiscal Charges	(85,296)		(85,296)
Other Financing Sources	5,946		5,946
Other Non-Operating Cash Disbursements		(42,806)	(42,806)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(285,152)</u>	<u>420</u>	<u>(284,732)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(45,396)</u>	<u>420</u>	<u>(44,976)</u>
<i>Fund Cash Balances, January 1</i>	<u>986,784</u>	<u>0</u>	<u>986,784</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$941,388</u></u>	<u><u>\$420</u></u>	<u><u>\$941,808</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, 2013**

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 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, 2013
(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 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 Fund:

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:

Braque Endowment Fund – This fund receives income 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, 2013
(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.

VILLAGE OF WOODSFIELD
MONROE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five 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. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

5. 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.

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:

	<u>2013</u>
Demand deposits	<u>\$1,202,763</u>
Certificates of deposit	129,000
Other time deposits (savings account)	<u>1,000</u>
Total deposits	<u>1,332,763</u>
Mortgage-backed securities and common stock	<u>1,258,470</u>
Total investments	<u>1,258,470</u>
Total deposits and investments	<u><u>\$2,591,233</u></u>

At December 31, 2013, the Village's investment broker held \$616,070 in common stocks as part of the Brague Endowment Fund. This was the fair value of the common stock at December 31, 2013. 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.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

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, 2013, follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$680,036	\$525,165	(\$154,871)
Special Revenue	650,314	506,443	(143,871)
Debt Service	60,650	56,111	(4,539)
Capital Projects	108,356	97,549	(10,807)
Enterprise	4,956,004	4,479,583	(476,421)
Permanent	154,543	22,396	(132,147)
Total	\$6,609,903	\$5,687,247	(\$922,656)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$712,096	\$547,831	\$164,265
Special Revenue	780,964	548,466	232,498
Debt Service	60,650	56,111	4,539
Capital Projects	258,748	105,145	153,603
Enterprise	5,773,627	4,524,979	1,248,648
Permanent	108,309	51,902	56,407
Total	\$7,694,394	\$5,834,434	\$1,859,960

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.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

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, 2013, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$559,680	0.00 - 0.02%
Ohio Water Development Authority Loans	1,012,962	0.00 - 4.50%
General Obligation Notes	421,521	3.95 - 5.00%
General Obligation Bonds	1,131,315	4.00 - 4.38%
Bond Anticipation Note	434,000	1.38%
Total	\$3,559,478	

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.

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.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

6. Debt (Continued)

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
2014	\$46,520	\$73,770	\$124,224	\$98,887	\$439,968
2015	46,520	73,770	124,224	98,878	
2016	46,520	73,770	47,377	98,864	
2017	44,994	73,770	36,632	98,846	
2018	43,468	73,770	21,522	98,923	
2019-2023	186,587	368,851	69,307	481,517	
2024-2028	125,202	278,428	69,307	478,281	
2029-2033	46,128	129,372	25,414	95,656	
2034-2038		93,253			
Total	<u>\$585,939</u>	<u>\$1,238,754</u>	<u>\$518,007</u>	<u>\$1,549,852</u>	<u>\$439,968</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 2013, OP&F participants contributed 10% through June 30, 2013 and 10.75% of their wages effective July 1, 2013. For 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013, 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, 2013.

One Village official chose not to belong to OPERS and instead contributed to Social Security. For 2013, this official contributed 6.2% of their gross salary. For 2013, 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, 2013.

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.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

9. Subsequent Events

- A. Village Council approved the renewal of the \$434,000 2013 year bond anticipation note. The 2014 renewal was issued for \$584,000 at a percentage rate of 1.25%. The note is dated January 23, 2014 with maturity date of January 23, 2015.
- B. On February 3, 2014 Village Council approved a resolution to proceed with placing an amendment to their current Municipal Income Tax Levy on the ballot of the May 6, 2014 election. The levy would increase the income tax rate from 1.0% to 1.5%. The levy did not pass.
- C. 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, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 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 \$52,574 leaving a net impaired cost estimate of \$128,667. The Village began making payments in 2012. 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.

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.

10. Segment Information

To provide electric service to the citizens, the Village is a member of American Municipal Power - 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:

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

10. Segment Information (Continued)

	<u>2013</u>
Total Assets	\$552,137
Total Liabilities	434,000
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	<u>2,343,055</u>
Total Operating Receipts	2,343,055
 Operating Expenses	 <u>2,299,528</u>
 Operating Income	 43,527
 Nonoperating Receipts (Disbursements)	
Property & Other Local Taxes	98,494
Sale of Notes	434,000
Miscellaneous Receipts	18,243
Capital Outlay	(59,560)
Principal Payments	(512,000)
Interest Payments	<u>(5,926)</u>
Change in Fund Cash Balance	16,778
Beginning Fund Cash Balance	<u>535,359</u>
Ending Fund Cash Balance	<u><u>\$552,137</u></u>
 Condensed Cash Flows Information:	
	<u>2013</u>
Net Cash Provided (Used) by:	
Operating Activities	\$43,527
 Noncapital Financing Activities	
Other Noncapital Financing Activities	<u>116,737</u>
Net Cash Provided (Used) by Noncapital Financing Activities	116,737
 Capital and Related Financing Activities	
Proceeds of Capital and Related Debt	434,000
Principal Payments on Capital and Related Debt	(512,000)
Interest Payments on Capital and Related Debt	(5,926)
Other Capital and Related Financing Activities	<u>(59,560)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(143,486)
 Net Increase	 16,778
Beginning Fund Cash Balance	<u>535,359</u>
Ending Fund Cash Balance	<u><u>\$552,137</u></u>



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 Village of Woodsfield, Monroe County, Ohio (the Village), as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated June 6, 2014, wherein we noted the Village followed financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of 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. We consider Findings 2013-002 and 2013-004 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2013-005 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 2013-001 through 2013-003.

Entity'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 6, 2014

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013

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

FINDING NUMBER 2013-001

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.

During 2013, the Village issued a five year commercial promissory note in the amount of \$49,940 with Citizens National Bank of Woodsfield to purchase two trucks. This type of debt did 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.

We recommend the Village 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 2013-002

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 2013, 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 \$30,074 in the Brague Endowment Fund. These withdrawals were also expended and the spendable fund balance was not adequate to cover the amount spent which caused \$20,188 of the non-spendable balance to be expended.

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013
(Continued)

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

FINDING NUMBER 2013-002 (Continued)

Noncompliance and Material Weakness - Woodsfield, Ordinance 947-98 (10/5/98) (Continued)

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

We recommend the Village only post the actual investment income received for the Bague Endowment Fund investment account as revenue and limit the disbursements to investment income received. The Village should not spend from this fund until the principal, or non-spendable, amount of the trust has been restored to the required amount.

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

FINDING NUMBER 2013-003

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 Bague Endowment Fund (a permanent trust fund), invested part of these monies in various common stocks during 2013. The fair market value of the Village's investments in common stocks at December 31, 2013 was \$616,070, or 52%, of the Village's investment account for the Bague endowment.

We recommend the Village 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, Sections 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, 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-004

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 2014) and the UAN Accounting and General Manual (revised December 2012) 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.

The Village Fiscal Officer failed to record bond anticipation note proceeds and principal payments of \$434,000 within the Electric Operating Enterprise Fund for the issuance of bond anticipation notes through AMP Ohio to their accounting records. The Village adjusted the accompanying financial statements to reflect this item.

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.

The Village's fund balance classification for the Building Fund, Capital Projects Fund-Type, was not posted to accurate fund balance classification, based upon the constraints placed upon the use of resources reported in this governmental fund. 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 Building Fund balance of \$28,782 as restricted rather than committed.

Also, the Village's fund balance classification for the Cemetery Endowment and Bague Endowment Funds, Permanent Fund-Type, were not posted to accurate fund balance classifications, based upon the constraints placed upon the use of resources reported in this governmental fund. Under Governmental Accounting Standards Board Statement (GASB) 54, the principal of a permanent fund is reported as nonspendable. The Village classified the Cemetery Endowment and Bague Endowment Funds' principal balance of \$130,000 and \$1,268,356, respectively, as restricted rather than nonspendable.

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013
(Continued)

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

FINDING NUMBER 2013-004 (Continued)

Material Weakness (Continued)

The Village adjusted the accompanying financial statements to properly reflect fund balance classifications for the funds noted above.

We recommend that when the Village rolls over a note debt issue, the activity be posted to the Village's accounting records as a memo receipt and expenditure. We also recommend the Village develop internal control procedures to ensure the financial statements of the Village accurately reflect the fund balances in accordance with GASB Statement No. 54 reporting requirements. The Fiscal Officer may refer to Auditor of State Bulletin 2011-004 for additional guidance.

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 fund balance classifications are correct.

FINDING NUMBER 2013-005

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 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 fund 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:

<u>Fund</u>	<u>Amount Per Annual Appropriation Resolution</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
Electric Operating	\$3,533,865	\$3,099,865	(\$434,000)

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.

We recommend Village Council 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, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Noncompliance and Material Weakness – for receipts being overstated and non-spendable portion of investments being spent.	No	Not Corrected; Repeated as Finding No. 2013-002.
2012-02	Noncompliance – for having investments in common stock.	No	Not Corrected; Repeated as Finding No. 2013-003.
2012-03	Material Weakness – for not recording receipts and disbursements into accurate classifications or not recording all such transactions.	No	Not Corrected; Repeated as Finding No. 2013-004.
2012-04	Significant Deficiency – for not posting approved budgeted receipts and appropriations correctly to the UAN system.	No	Partially Corrected; Repeated as Finding No. 2013-005.

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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 24, 2014**