



Dave Yost • Auditor of State

VILLAGE OF WOODLAWN
HAMILTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Woodlawn
Hamilton County
10141 Woodlawn Boulevard
Woodlawn, Ohio 45215

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Woodlawn, Hamilton County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

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 1B 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 (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years 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 Woodlawn, Hamilton County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years 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 1B.

Emphasis of Matter

As discussed in Note 1F to the financial statements, during 2012, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2015, 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

July 29, 2015

**VILLAGE OF WOODLAWN
HAMILTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Revenues:					
Property and Local Taxes	304,565	136,513	0	69,472	510,550
Municipal Income Tax	4,000,929	0	470,699	235,349	4,706,976
Intergovernmental	119,983	231,400	0	564,402	915,784
Charges for Services	369,474	6,255	0	0	375,729
Fines, Licenses and Permits	98,972	48,291	0	0	147,263
Earnings on Investments	131	0	95	0	226
Refunds	58,264	0	0	0	58,264
Miscellaneous	1,024	1,438	0	0	2,462
Total Revenue	<u>4,953,342</u>	<u>423,898</u>	<u>470,794</u>	<u>869,223</u>	<u>6,717,256</u>
Expenditures:					
Security of Persons	2,796,233	10,676	0	119,643	2,926,552
Public Health	1,330	27,200	0	0	28,530
Leisure Time Activities	413,157	196,284	0	9,000	618,441
Community Environment	85,232	0	0	0	85,232
Basic Utility	290,169	0	0	9,586	299,755
Transportation	0	322,414	0	0	322,414
General Government	1,378,874	5	0	460,762	1,839,641
Debt Services:					
Principal	0	0	285,000	97,251	382,251
Interest	0	0	249,921	6,090	256,011
Capital Outlay	0	0	0	106,405	106,405
Total Expenditures	<u>4,964,995</u>	<u>556,579</u>	<u>534,921</u>	<u>808,737</u>	<u>6,865,233</u>
Excess of Revenues Over (Under) Expenditures (Operating Income (Loss))	<u>(11,653)</u>	<u>(132,681)</u>	<u>(64,128)</u>	<u>60,485</u>	<u>(147,977)</u>
Other Financing Sources (Uses)					
Operating Transfers - In	163,435	0	199,368	30,038	392,841
Operating Transfers - Out	<u>(229,406)</u>	<u>(25,872)</u>	<u>0</u>	<u>(137,563)</u>	<u>(392,841)</u>
Total Other Financing Sources (Uses)	<u>(65,971)</u>	<u>(25,872)</u>	<u>199,368</u>	<u>(107,525)</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses (Over (Under) Expenses and Operating Transfers	<u>(77,624)</u>	<u>(158,553)</u>	<u>135,240</u>	<u>(47,040)</u>	<u>(147,977)</u>
Fund Balance at Beginning of Year 1/1/13	<u>402,617</u>	<u>671,835</u>	<u>76,229</u>	<u>743,975</u>	<u>1,894,656</u>
Fund Cash Balances, December 31					
Restricted		513,282	211,469	332,277	1,057,028
Committed				364,658	364,658
Unassigned (Deficit)	<u>324,993</u>	<u> </u>	<u> </u>	<u> </u>	<u>324,993</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$324,993</u></u>	<u><u>\$513,282</u></u>	<u><u>\$211,469</u></u>	<u><u>\$696,935</u></u>	<u><u>\$1,746,679</u></u>

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

VILLAGE OF WOODLAWN
HAMILTON 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

	<u>Agency</u>
Non-Operating Cash Receipts	
Other Non-Operating Cash Receipts	<u>\$87,494</u>
<i>Total Operating Cash Receipts</i>	<u>87,494</u>
Non-Operating Cash Disbursements	
Other Non-Operating Cash Disbursements	<u>89,234</u>
<i>Total Operating Cash Disbursements</i>	<u>89,234</u>
<i>Net Receipts Under Disbursements</i>	<u>(1,740)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,579</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$161)</u></u>

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

VILLAGE OF WOODLAWN
HAMILTON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Revenues:					
Property and Local Taxes	\$ 302,365	\$ 144,548	\$ -	\$ 111,483	\$ 558,397
Municipal Income Tax	3,892,316	0	347,338	219,320	4,458,974
Intergovernmental	89,425	277,441	0	1,003,685	1,370,552
Charges for Services	367,067	15,846	0	0	382,913
Fines, Licenses and Permits	127,184	10,876	0	0	138,060
Earnings on Investments	934	0	0	0	934
Refunds	26,011	0	0	0	26,011
Miscellaneous	8,137	5,190	0	0	13,327
Total Revenue	<u>4,813,439</u>	<u>453,901</u>	<u>347,338</u>	<u>1,334,488</u>	<u>6,949,166</u>
Expenditures:					
Security of Persons	2,738,010	5,678	0	7,758	2,751,446
Public Health	6,866	13,187	0	0	20,053
Leisure Time Activities	327,906	194,221	0	16,417	538,544
Community Environment	71,915	0	0	0	71,915
Basic Utility	298,493	0	0	0	298,493
Transportation	0	201,769	0	0	201,769
General Government	1,279,876	32,389	0	622,100	1,934,365
Debt Services:					
Principal	0	0	195,000	53,636	248,636
Interest	0	0	260,040	5,241	265,281
Capital Outlay	0	0	0	430,683	430,683
Total Expenditures	<u>4,723,066</u>	<u>447,244</u>	<u>455,039</u>	<u>1,135,835</u>	<u>6,761,184</u>
Excess of Revenues Over (Under) Expenditures (Operating Income (Loss))	<u>90,372</u>	<u>6,658</u>	<u>(107,701)</u>	<u>198,653</u>	<u>187,982</u>
Other Financing Sources (Uses)					
Sale of General Obligation Notes	0	0	0	0	0
Operating Transfers - In	202,898	0	0	36,094	238,992
Operating Transfers - Out	0	0	(120,000)	(118,992)	(238,992)
Total Other Financing Sources (Uses)	<u>202,898</u>	<u>0</u>	<u>(120,000)</u>	<u>(82,898)</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses (Over (Under)) Expenses and Operating Transfers	<u>293,270</u>	<u>6,658</u>	<u>(227,701)</u>	<u>115,755</u>	<u>187,982</u>
Fund Balance at Beginning of Year 1/1/12	<u>109,347</u>	<u>665,177</u>	<u>303,930</u>	<u>628,220</u>	<u>1,706,674</u>
Fund Cash Balances, December 31					
Restricted		671,835	76,229	410,551	1,158,615
Committed				333,424	333,424
Assigned	9,736				9,736
Unassigned (Deficit)	392,881				392,881
Fund Cash Balances, December 31	<u>\$402,617</u>	<u>\$671,835</u>	<u>\$76,229</u>	<u>\$743,975</u>	<u>\$1,894,656</u>

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

VILLAGE OF WOODLAWN
HAMILTON 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, 2012

	<u>Agency</u>
Non-Operating Cash Receipts	
Other Non-Operating Cash Receipts	<u>\$108,820</u>
<i>Total Operating Cash Receipts</i>	<u>108,820</u>
Non-Operating Cash Disbursements	
Other Non-Operating Cash Disbursements	<u>108,163</u>
<i>Total Operating Cash Disbursements</i>	<u>108,163</u>
<i>Net Receipts Over Disbursements</i>	<u>657</u>
<i>Fund Cash Balances, January 1</i>	<u>922</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,579</u></u>

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

**VILLAGE OF WOODLAWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 Woodlawn, Hamilton County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides park operations, and police and fire protective services.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

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.

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 Funds:

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

**VILLAGE OF WOODLAWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Swimming Pool – This fund receives property tax and admission fees for operation and maintenance of the Village swimming pool.

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:

Bond Retirement Fund – This fund accumulates resources for the payment of various Village Debt issues.

4. Capital Project Funds

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

Capital Improvement Fund – This fund receives a portion of Village Income tax receipts. These receipts are used to finance Village capital projects.

Tax Incremental Financing – This fund receives property tax for the purpose of economic development within the Village.

5. Fiduciary Fund (Agency Fund)

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 Village Mayor's Court activity.

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 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 WOODLAWN
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. Summary of Significant Accounting Policies (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. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Effective January 1, 2012, the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Per adoption of the standard, 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.

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.

**VILLAGE OF WOODLAWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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:

	2013	2012
Demand deposits	\$604,357	\$750,839
Bond Escrow Account	0	0
STAR Ohio	1,176,376	1,175,917
Total deposits and investments	1,780,733	1,926,756

The Bond escrow account is held by Huntington National Bank trust department and holds the Village's equity securities in book-entry in the Village's name for the purpose of repayment of interest and principal on general obligation bonds.

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

The Village had unreconciled cash balances of \$34,054 in 2013 and \$32,099 in 2012.

**VILLAGE OF WOODLAWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,797,070	\$4,953,342	\$156,272
Special Revenue	403,161	423,898	20,737
Debt Service	449,808	470,794	20,986
Capital Projects	1,113,393	869,223	(244,170)
Total	\$6,763,432	\$6,717,257	(\$46,175)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,766,926	\$4,964,995	(\$198,069)
Special Revenue	634,064	556,579	77,485
Debt Service	622,575	534,921	87,654
Capital Projects	2,244,724	993,535	1,251,189
Total	\$8,268,289	\$7,050,030	\$1,218,259

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,983,166	\$4,813,439	(\$169,727)
Special Revenue	476,156	453,901	(22,255)
Debt Service	373,824	347,338	(26,486)
Capital Projects	2,130,293	1,334,488	(795,805)
Total	\$7,963,439	\$6,949,166	(\$1,014,273)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,220,545	\$4,732,802	\$487,743
Special Revenue	699,404	459,226	240,178
Debt Service	505,532	455,039	50,493
Capital Projects	1,182,357	1,155,835	26,522
Total	\$7,607,838	\$6,802,902	\$804,936

Contrary to Ohio law, the Village failed to properly certify year end encumbrances to the County Budget Commission for 2013 and 2012.

Contrary to Ohio law, the Clean Ohio Revitalization Fund (CORF) and Pool House Bond Retirement fund had negative fund balances at December 31, 2012, and the Pool House Bond Retirement fund had a negative fund balance at December 31, 2013.

**VILLAGE OF WOODLAWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio law, the Village failed to properly post estimated resources and appropriations to the accounting system for 2013 and 2012.

Contrary to Ohio law, the Village failed to post on-behalf grant monies for 2013.

Contrary to Ohio law, actual receipts were less than estimated receipts and the Village failed to file an amended certificate.

4. Property Tax

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

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

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

5. Local Income Tax

The Village levies a municipal income tax of 2.0 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:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Real Estate Acquisition Bonds	\$1,800,000	5.00%
Swimming Pool Construction and Judgment Bonds	\$860,000	5.25%
Community Center Bonds	\$2,070,000	6.00%
Police Equipment Acquisition Bonds	\$5,307	3.72%
OPWC Marion Road Improvements	269,225	0.00%
Total	<u>\$5,004,532</u>	

**VILLAGE OF WOODLAWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Debt (Continued)

General Obligation Real Estate Acquisition Bonds

In December 2001 the Village issued bonds in the amount of \$3,500,000 to retire the real estate acquisition bond anticipation note. The Village has an escrow agreement with Huntington Bank for the payment of principal and interest. The Village makes quarterly payments into the escrow account and Huntington Bank pays the actual principal and interest in accordance with the repayment schedule. The final payment is due in December 2022. The Village's taxing authority collateralized the bonds.

Swimming Pool Construction and Judgment Bonds

In August 2003 the Village issued bonds in the amount of \$1,400,000 to retire the Swimming Pool Construction and Judgment Bond Anticipation Notes, which were obtained to pay the litigation settlement and for the swimming pool construction. The Village is required to make principal and interest payments annually in December of each year. The final payment is due in December 2023. The Village's taxing authority collateralized the bonds.

Community Center Bonds

In 2003 the Village received a loan in the amount of \$2,000,000 from Hamilton County for the construction of the Community Center. The Community Center Loan outstanding at December 31, 2007 for \$666,333 was paid in full in 2009. In 2008, the Village renewed the Bond Anticipation Notes from 2007 in the amount of \$2,010,000 which was renewed annually through 2010. In 2011, the Village issued bonds in the amount of \$2,170,000 maturing in 2036.

Police Equipment Acquisition Bonds

In 2008 the Village issued bonds in the amount of \$42,600 for the purpose of purchasing two police cruisers. The Village is required to make principal and interest payments in March and September of each year. The bonds mature in 2012. The Village's taxing authority collateralized the bonds.

Ohio Public Works Commission Marion Road Improvements

In 2008 the Village entered into an agreement with the Ohio Public Works Commission (OPWC) to secure funding in the amount of \$371,345 for improvements to Marion Road. The Village is required to make payments semi-annually. The final payment is due January 1, 2028. The Village's taxing authority collateralized this loan.

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

**VILLAGE OF WOODLAWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Debt (Continued)

Year ending December 31:	Real Estate Acquisition Bonds	Swimming Pool Construction and Judgment Bonds	Community Center Bonds	Police Equipment Acquisition Bonds	OPWC Equipment Acquisition Bonds
2014	\$180,000	\$65,000	\$50,000	\$5,307	\$18,567
2015	190,000	75,000	55,000		18,567
2016	195,000	75,000	55,000		18,567
2017	125,000	80,000	60,000		18,567
2018	215,000	85,000	60,000		18,567
2019-2023	895,000	480,000	350,000		92,835
2024-2028			450,000		83,555
2029-2033			575,000		
2034-2038			415,000		
Total	<u>\$1,800,000</u>	<u>\$860,000</u>	<u>\$2,070,000</u>	<u>\$5,307</u>	<u>\$269,225</u>

7. Retirement Systems

A. Ohio Public Employees Retirement System The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing multiple employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. For 2012 and 2013, OPERS members should contribute 10% of their gross salaries and the Village contribute an amount equaling 14% of participants' gross salaries.

However, for the Village of Woodlawn, until April 2010, the Village contributed 100% of both the employee share and the employer share of the payments. After April 2010, the village passed a resolution to only "pickup" 4% of the employee share, while the employees will now contribute the remaining 6% of their gross salaries and the village will contribute an amount equaling 18% of participants' gross salaries.

The Village has paid all contributions required through December 31, 2013.

B. Ohio Police and Fire Pension Fund

The Village's certified Fire Fighters and full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost sharing multiple employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. For 2010 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 19.5% of full-time police officers' gross salaries and 24% of full-time firefighters' gross salaries.

**VILLAGE OF WOODLAWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Retirement Systems (Continued)

However, for the Village of Woodlawn, until April 2010, the Village contributed 100% of both the employee share and the employer share of the payments. After April 2010, the village passed a resolution to only "pickup" 4% of the employee share, while the employees will now contribute the remaining 6% of their gross salaries and the village will contribute an amount equaling 24.5% of full-time police officers' gross salaries and 30% of full-time firefighters' gross salaries.

The Village has paid all contributions required through December 31, 2013.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by OPERS or OP&F have an option to choose Social Security. Most of the Village's part-time firefighters have elected Social Security. The employees liability is 6.2% of wages paid.

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. Related Organizations

The Village of Woodlawn has a related corporation for the purpose of buying and selling properties. The Corporation is named the Woodlawn Community Improvement Corporation, which is a not-for-profit corporation. At least 40% of the membership of the Board of Trustees of the Woodlawn Community Improvement Corporation is to be comprised of public officers of the Village of Woodlawn. The Corporation exists solely for the benefit of Woodlawn through property transactions. Upon dissolution, assets are disbursed by the decision of the Board of Trustees.

10. Non Compliance

The Village did not maintain accurate accounting records.

The Village did not establish a fund for and properly record OPWC monies.

The Village did not properly certify the availability of funds and record all outstanding encumbrances at year end.

The Village did not retain certain public records.

The Village failed to file an amended certificate.

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Dave Yost • Auditor of State

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

Village of Woodlawn
Hamilton County
10141 Woodlawn Boulevard
Woodlawn, Ohio 45215

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 Woodlawn, Hamilton County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 29, 2015, wherein we noted that the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America.

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 and a significant deficiency.

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 2013-001, 2013-002, 2013-005, and 2013-006 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 2013-007 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 2013-004.

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

July 29, 2015

**VILLAGE OF WOODLAWN
HAMILTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-001

Noncompliance/Material Weakness

Ohio Rev. Code § 117.38 states that "each public office, other than a state agency, shall file a financial report for each fiscal year. The report shall contain the following: (A) Amount of collections and receipts, and accounts due from each source; (B) Amount of expenditures for each purpose; (C) Income of each public service industry owned or operated by a municipal corporation, and the cost of such ownership or operation; (D) Amount of public debt of each taxing district, the purpose for which each item of such debt was created, and the provision made for the payment thereof.

Ohio Rev. Code § 733.262(A) states that "in lieu of having the elected office of village clerk and the office of village treasurer, or the combined elected office of village clerk-treasurer, a village may combine the duties of the clerk and treasurer into one appointed office, to be known as the village fiscal officer."

Ohio Rev. Code § 733.262(C) states that "a village fiscal officer appointed under this section shall perform the duties provided by law for the village clerk and treasurer and any other duties consistent with the nature of the office that are provided for by municipal ordinance."

Ohio Rev. Code § 733.28 states the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived therefrom, and of all taxes and assessments.

In addition, **Ohio Admin. Code, §117-2-02**, states in part, that: (A) 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 required by 117-2-03 of the Administrative Code.

We identified the following conditions related to the above criteria:

- Beginning fund balances in the Village's 2012 financial statement filed with the Auditor of State and presented for audit for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects funds did not agree to the fund balances recorded on the accounting system or the audited 2011 ending fund balances. The General fund was overstated by \$10,142, the Special revenue funds were understated by \$29,140, the Debt Service funds were overstated by \$24,437, and the Capital Project funds were understated by \$297 the financial statements have been adjusted for this error.
- General Government expenditures totaling \$1,279,876 in the General Fund were incorrectly posted to Transportation expense in 2012; the financial statements have been adjusted for this error.
- Gasoline Tax receipts totaling \$133,842 and \$10,862 in the Special Revenue Funds were incorrectly posted to Miscellaneous Revenue and Charges for Services Revenue respectively rather than Intergovernmental Revenue in 2012; the financial statements have been adjusted for this error.
- License Tax receipts totaling \$74,107 and \$52,895 in the Special Revenue Funds were incorrectly posted to Fines, Licenses and Permits Revenue rather than Intergovernmental Revenue in 2012 and 2013 respectively; the financial statements have been adjusted for this error.
- License Tax receipts totaling \$6,008 in the Special Revenue Funds were incorrectly posted to Charges for Services Revenue rather than Intergovernmental Revenue in 2012;

FINDING NUMBER 2013-001
(Continued)

- Homestead and Rollback receipts totaling \$22,067 in the Street Construction and Road Maintenance Fund (201) and \$1,788 in the Highway Improvement Fund (202) should have been posted to the General Fund in the amount of \$18,623 and to the Swimming Pool Fund (208) in the amount of \$5,232 in 2012; the financial statements and accounting records have been adjusted for this error.
- Gasoline and License Tax receipts totaling \$2,535 in the Highway Improvement Fund (201) were posted as Fines, Licenses and Permits Revenue rather than Intergovernmental Revenue, and \$747 also should have been posted to the General Fund in 2013;
- Local Government Fund receipts totaling \$5,288 posted to the General Fund should have been posted to the Swimming Pool Fund (208) in 2013; the financial statements and accounting records have been adjusted for this error.
- Tax Increment Financing receipts totaling \$111,483 in the Capital Projects Funds were incorrectly posted to Intergovernmental Revenue rather than Property Taxes in 2012; the financial statements have been adjusted for this error.
- \$156,089 in OPWC receipts and disbursements in 2013 were not recorded in the General Ledger, see Finding 2013-002; the financial statements have been adjusted for this error.
- Other Revenue receipts totaling \$15,733 in the General Fund were incorrectly posted to Property and Other Local Taxes Revenue in 2012;
- Property Taxes were posted at net rather than gross resulting in understating both receipts and disbursements totaling \$16,642 in the General Fund and \$4,536 in the Special Revenue fund (Swimming Pool Fund (208) in 2012;
- Property Tax receipts totaling \$7,875 were incorrectly posted to Intergovernmental Revenue in the General Fund and should have been posted to Property and Other Local Taxes Revenue in the Special Revenue funds in the amount of \$7,285 to the Street Construction and Road Maintenance Fund (201) and \$590 to the Highway Improvement Fund (202) in 2012; the financial statements and accounting records have been adjusted for this error.
- Homestead and Rollback receipts totaling \$18,312 were incorrectly posted to Property and Other Local Taxes Revenue rather than Intergovernmental Revenue in the General Fund. In addition, \$5,288 of this amount and should have been posted to the Special Revenue Swimming Pool Fund (208) in 2013; the financial statements and accounting records have been adjusted for this error.
- Transfers Out of the Springfield Pike Improvement Fund totaling \$36,094 were incorrectly transferred in to the General Fund rather than to the Capital Improvement Fund in 2012; the financial statements and accounting records have been adjusted for this error.
- Charges for Services Receipts totaling \$129,525 and \$90,394 in the General Fund were incorrectly posted to Intergovernmental Revenue in 2012 and 2013 respectively; the financial statements have been adjusted for this error.
- Cable Franchise Receipts were incorrectly posted as Charges for Services receipts rather than License, Permits and Fees receipts to the General Fund in the amount of \$11,402 and \$10,931 in 2012 and 2013 respectively;

FINDING NUMBER 2013-001
(Continued)

- EMS Billing Receipts were posted at net rather than gross resulting in understating both receipts and disbursements in the General Fund in the amount of \$2,593 in 2013;
- Debt Service Payments were improperly classified resulting in principal payments being understated and interest payments being overstated by \$30,606 in 2012, and in 2013 principal payments were overstated and interest payments were understated by \$99,765 in the Bond Retirement Fund (301); the financial statements have been adjusted for this error.
- Debt Service principal payments totaling \$40,000 were incorrectly posted to the Bond Retirement fund (301) and should have been posted to the Swimming Pool Bonds debt fund (302) in 2012; the financial statements and accounting records have been adjusted for this error.
- Debt Service interest payments totaling \$14,024 were incorrectly posted to the Bond Retirement fund (301) and should have been posted to the Swimming Pool Bonds debt fund (302) in 2013; the financial statements and accounting records have been adjusted for this error.
- Debt Service Payments totaling \$9,147 in Fund 302 for Interest Payments for Judgment Bonds debt should have been posted to Fund 301 in 2013; the financial statements and accounting records have been adjusted for this error.
- Debt Service Payments totaling \$29,808 in the Bond Retirement Fund (301) should have been posted as Principal in the amount of \$14,904 and Interest in the amount of \$14,904 to the Pool House Retirement Fund (302) in 2012; the financial statements and accounting records have been adjusted for this error.
- Capital Lease Payments totaling \$40,310 in Capital Projects Fund 403 for capital lease activity were incorrectly posted to Security of Persons & Property rather than Principal and Interest Expense for \$35,069 and \$5,241, respectively, in 2012; the financial statements have been adjusted for this error.
- Capital Lease Payments totaling \$84,774 in Capital Projects Fund 403 for capital lease activity were incorrectly posted to Security of Persons & Property rather than Principal and Interest Expense for \$78,684 and \$6,090, respectively, in 2013; the financial statements have been adjusted for this error.
- Capital Lease Payments totaling \$18,567 and \$18,567 in the Capital Improvement Fund (403) for OPWC loan payments were incorrectly posted as Capital Outlay rather than Principal Payments in 2012 and 2013, respectively; the financial statements have been adjusted for this error.
- Debt Service Payments in the amount of \$80,000 in Principal Payments and \$103,500 in Interest Payments were not posted to the Bond Retirement Fund (301) in 2012; see Finding 2013-008, the financial statements and accounting records have been adjusted for this error.
- A bank transfer for excess money in the Village's debt trustee account in the amount of \$69,348 was recorded as a receipt in the General Fund in 2012, however, this amount was already part of the Bond Retirement fund (301) ending balance and should not have been recorded in the general ledger; see Finding 2013-008, the financial statements and accounting records have been adjusted for this error.
- General Fund Encumbrances of \$12,869 and \$23,306 at December 31, 2012 and December 31, 2013, respectively, were incorrectly classified as unassigned rather than assigned;

**FINDING NUMBER 2013-001
(Continued)**

- Special Revenue Leisure Time Activities and Public Health Expenditures of \$16,856 and \$13,187 respectively were incorrectly classified as General Government in 2012;
- Capital Project Expenditures totaling \$102,696 were incorrectly classified as Security of Persons and Property (\$48,816) and General Government (\$53,880) instead of Capital Outlay in 2012; the financial statements have been adjusted for this error.
- Capital Project Expenditures totaling \$19,057 were incorrectly classified as Security of Persons and Property (\$11,000) and General Government (\$8,057) instead of Capital Outlay in 2013;
- Capital Project Expenditures totaling \$327,987 were incorrectly classified as General Government instead of Capital Outlay in 2012; the financial statements have been adjusted for this error.
- Capital Project Expenditures totaling \$29,000 were incorrectly classified as General Government instead of Capital Outlay in 2013.

The Village does not have procedures in place for effective monitoring of the Village's financial activity recorded in the underlying accounting records and reporting in the financial statements. The Village Finance Director has sole responsibility for recording and reporting. Due to the small size of the Village, it is important that Council take an active role in monitoring the posting of such activity. Failure to accurately post financial activity can lead to material misstatements in financial reporting.

We recommend due care be exercised when posting entries to the financial records and financial statement preparation to prevent errors and assist in properly reflecting the Village's financial activity in the underlying accounting records to assist in properly presenting all activities in the financial statements. In addition, we recommend that Village Council adopt procedures for ongoing reviews of the activity recorded in the underlying accounting records and reported on the financial statements.

Officials' Response:

The Village understands the importance of proper posting of financial activity. Required submissions will be reviewed in the proper committee for accuracy.

FINDING NUMBER 2013-002

Noncompliance/Material Weakness

Ohio Rev. Code § 5705.09(F), requires the Village to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure, and anticipated expenditures should be included in the Village's appropriations.

Ohio Public Works Commission (OPWC) monies in the form of grants for one project were paid to contractors by OPWC on behalf of the Village totaling \$156,089 in 2013. The Village failed to establish a fund for the Redna Terrace Project OPWC money paid on the Village's behalf for this project and did not record and budget for this money in the accounting system. The accompanying financial statements have been adjusted to reflect the receipt and disbursement of this money in the appropriate funds; see Finding 2013-001.

**FINDING NUMBER 2013-002
(Continued)**

We recommend the Village establish and budget monies spent on behalf of the Village in the correct funds. Guidance on the accounting treatment for these types of transactions is set forth in the Auditor of State Bulletin 2002-004.

Officials' Response:

The Village will record on-behalf activity as required by Ohio Revised Code 5705.09.

FINDING NUMBER 2013-003

Noncompliance

Ohio Rev. Code, § 5705.41(D)(1), prohibits a subdivision or taxing entity 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 encumbrances.

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 encumbrances, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the 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" certifications for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates 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 Certificates – 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.

FINDING NUMBER 2013-003
(Continued)

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

The Village did not follow established procedures for certifying expenditures and none of the exceptions above applied. Of the expenditures tested, the fiscal officer did not certify 28 of 33 expenditures (85%) in 2012 and 23 of 29 expenditures (79%) in 2013 at the time the Village incurred the commitment and none of the exceptions above applied.

In addition, the Village failed to properly record outstanding encumbrances of \$235,076 and \$12,869 in the Capital Projects Funds and General Fund, respectively in 2012, and \$16,273 and \$23,306 in the Special Revenue Funds and General Fund, respectively in 2013.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the Village uses the exceptions noted above, 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 that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

Procedures are in place for monitoring the encumbrance process.

FINDING NUMBER 2013-004

Noncompliance

Ohio Rev. Code, §149.351, provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code Sections 149.38 to 149.42.

In addition, Ohio Rev. Code §149.381 states in part that when records have been approved for disposal, a copy of such records application or schedule shall be sent to the Ohio Historical Society, who upon completion of its review, shall forward it on to the Auditor of State. The Auditor of State shall approve or disapprove the application or schedule within a period of not more than sixty days after receipt of it. Before public records are to be disposed of pursuant to an approved schedule of records retention and disposition, the records commission shall inform the Ohio Historical Society of the disposal through the submission of a certificate of records disposal for only the records required by the schedule to be disposed of, and shall give the society the opportunity for a period of fifteen business days to select for its custody those public records, from the certificate submitted, that it considers to be of continuing historical value.

**FINDING NUMBER 2013-004
(Continued)**

The Village could not locate the following records:

- Supporting documentation for outstanding encumbrances that existed at the end of fiscal year 2012 or the end of fiscal year 2013.
- A monthly EMS billing report for receipt #R1200051 in the amount of \$11,808 from Medicount Management.
- Three income tax returns in 2012 and two income tax returns in 2013 to verify that the amounts received by the Village agreed to the income tax returns. In addition one income tax return in 2012 was not provided to verify amounts refunded by the Village agreed to the income tax return.
- Supporting invoice documentation for five expenditures selected for testing: Check #58677, posted 3/31/12, in the amount of \$253 to a Village employee for reimbursement; Check #60865, posted 10/1/12, in the amount of \$25,000 to Beechmont Ford; Check #62547, posted 8/31/13, in the amount of \$56,250 to Chard Synder; Check #61117, posted 3/22/13, in the amount of \$283 to LaRosa's Pizza; Check #62590 posted 8/27/13, in the amount of \$750 to Design Masters. By performing alternative procedures we determined that these expenditures were for a proper public purpose.
- The insurance policies in effect during the audit period.
- Employee leave request forms to document the leave taken for a selected pay period for one employee tested for 2012 and one employee tested for 2013.
- Employee timesheets to document the number of hours worked for a selected pay period for 5 employees tested for 2012.
- Personnel Action Forms or other detailed supporting documentation to document approved pay rates for four employees tested for 2012 and three employees tested for 2013.

Failure to maintain proper documentation could result in difficulties supporting the actions taken by the Village and noncompliance. We recommend that the Village maintain all records required by law.

Officials' Response:

The Village has implemented a system that will eliminate the misplacement of records.

FINDING NUMBER 2013-005

Material Weakness

All public officials and management are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the operations of their respective public offices.

We identified the following conditions related to management controls over the Recreation Center/Department receipts totaling \$106,253 and \$86,317 for 2013 and 2012, respectively:

- Fees collected by the Recreation Center/Department were not in accordance with the legislatively approved fee schedule, and handwritten supporting documentation indicated that there was no consistency in the amount collected for summer camp fees.

**FINDING NUMBER 2013-005
(Continued)**

- The Recreation Center/Department sold recreation memberships and pool memberships. However, the Village did not use prenumbered membership cards, and the underlying accounting records did not indicate membership numbers assigned at the time of issuance;
- General admission revenue was not supported by prenumbered, duplicate receipts or cash register receipts;
- Swimming pool general admission was not supported by any documentation such as prenumbered, duplicate receipts or cash register receipts. Also, bracelets or some other identification was not provided to indicate an individual had paid his or her admission;
- Summer Camp and Membership Fees were not supported by prenumbered, duplicate receipts or cash register receipts;
- There was no reconciliation of the Recreation Center/Department receipts collected to amounts deposited in the bank. Also, there was no review of the documentation supporting the deposits by someone other than the individual responsible for collecting and depositing the receipts;
- The Recreation Center Director prepared a year end list of all Recreation Center room rentals, however all rentals on the list could not be traced to a rental form. Also, the Village waived certain rentals fees without the sign-off of the waiver by the Village Administrator, which is required by Village policy.

Failure to keep records results in a lack of financial accountability and could also result in misappropriation of funds.

Controls should be put into place to help assure that all over the counter receipts are properly accounted for. We recommend the implementation of the following controls:

- The Village should use prenumbered recreation and pool membership cards to provide accountability over all memberships;
- The Village may want to consider using a cash register, prenumbered ticket stubs or bracelets to record general and pool receipts. Daily pool admissions should be reconciled with the pool receipts on a daily basis;
- All Recreation Center rental forms should be maintained and included on the year-end listing. Fee waivers should be signed off on by the Village Administrator.
- Daily receipts from the various collection points in the Recreation Department should be reconciled to amounts deposited daily. This reconciliation should be done by an individual other than those who collect the receipts. The reconciliation process should include a review of the supporting documentation.

Officials' Response:

Policy and Procedures will be enforced and quarterly audits of the Recreation Department will also be conducted.

FINDING NUMBER 2013-006

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance related legal and contractual requirements and prepare finance statements required by 117-2-03 of the Administrative Code. The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following five assertions are achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it:

1. Existence/occurrence: That recorded assets (and liabilities, if generally accepted accounting principles apply) exist as of fiscal year end, recorded transactions have occurred and are not fictitious.
2. Completeness: That all account balances and transactions that should be included in the financial records are included.
3. Rights and obligations: That recorded assets are rights of the public office and recorded liabilities (if generally accepted accounting principles apply), are obligations of the public office at the fiscal year end.
4. Valuation/allocation: That generally accepted accounting measurement and recognition principles are properly selected and applied. This includes accounting measurement and recognition principles prescribed by the auditor of state for public offices that are not required to follow generally accepted accounting principles.
5. Presentation and disclosure: That financial statement elements are properly classified and described and appropriate disclosures are made as required by generally accepted accounting principles, or as prescribed by the auditor of state for entities that do not follow generally accepted accounting principles.

The Village utilizes their CMI system to track all income tax receipts received during the year. Income tax receipts represent a significant income stream for the Village in 2013 the Village collected \$4,458,974, which represented 64% of their total operating receipts for the year. In 2012 the Village collected \$4,706,976 which was 71% of the total operating receipts for the Village.

We identified the following related to management controls over the income tax collections:

- Tax Department did not perform procedures to ensure the CMI Taxpayer Master File database is updated periodically or on an annual basis. The Taxpayer Master File should properly identify all taxpayers in the Village and designate them as active or inactive. The Tax Commissioner should periodically purge those taxpayers from the system who no longer live or are employed in the Village;
- The Village's Taxpayer database did not include parcel data for property owners within the Village, therefore there is currently no way to verify that all residents within the Village had filed or remitted their taxes;
- The Village could not provide evidence that anyone was reviewing "Rent Roll" reports for renters moving in or out of the Village's apartment complexes or that the reports were even received during the audit period;

FINDING NUMBER 2013-006
(Continued)

- Neither the Village Fiscal Officer nor the Income Tax Department provided Council with monthly or quarterly reports detailing budget to actual income tax collections or detailing the total number of tax payers in the Village;
- The Village's income tax report did not agree with income tax receipts entered into the accounting system. The income tax report was \$37,611 less than the accounting system in 2012 and \$9,458 greater than the accounting system in 2013;
- The Village did not allocate income tax receipts in 2012 in accordance with Ordinance 007-2012 which resulted in the Capital Improvement Fund (403) receiving \$3,567 in tax receipts that should have been allocated to the General Fund, the financial statements and accounting records have been adjusted for this error.

Failure to accurately update and maintain the CMI Taxpayer Master File database reduces the accountability over the Village's Income tax collections and reduces the Village's ability to monitor income tax collections could lead to tax payers not filling or remitting taxes in a timely manner and could lead to the Village not collecting all income tax receipts legally entitled to.

We recommend the Village accurately update their database to be able to verify all residents file and remit their taxes. We also recommend the Village review all applicable reports to verify the Taxpayer Master File is accurately updated. We recommend the Village maintain all tax returns remitted to the Village.

Officials' Response:

The Village has implemented procedures that allows for proper tracking of Village residents and businesses.

FINDING NUMBER 2013-007

Significant Deficiency

When designing the public office's system in internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

We identified the following conditions related to management controls over bank accounts and reconciliation procedures:

- The Village did not complete timely or accurate monthly bank reconciliations, and the reconciliations did not receive a supervisory review or approval.
- The reconciled bank balance was \$32,099 and \$34,054 higher than the book balance at December 31, 2012 and 2013, respectively.
- The Village did not update signatories on the Village's accounts per bank confirmations. Individuals who were no longer employed by the Village were still listed as signatories on the Village bank accounts.

**FINDING NUMBER 2013-007
(Continued)**

- The finance office lacked adequate segregation of duties. The finance office has a high amount of turnover and at times did not have a Finance Director. The Accounts Payable/Receivable Clerk served as Interim Finance Director which resulted in the Payroll Clerk being responsible for receiving deposit notifications in the mail, maintaining receipt supporting documentation, coding receipts, posting receipts to the accounting system, and performing the monthly bank reconciliations.
- There was 1 instance in 2012 and 3 instances in 2013 where the Village failed to receive discounts offered by vendors due to untimely payments.
- The Village lacked management oversight in the monitoring of trustee activity in regards to the real estate acquisition bonds, and the Village did not detect that trustees were not properly paying the real estate acquisition bonds in accordance with the amortization schedule. This resulted in the Village receiving a refund of \$69,348 for excess funds in the trustee account. In addition, the Village failed to record the debt payment of \$183,500 in the Village's accounting system in 2012; see Finding 2013-001.
- Checks were not issued in sequential order. The last check the Village used during 2012 was check number 61100. The first check the Village used in 2013 was check number 59282. The Village did not use check number subsequent to check number 61100, the last check recorded in 2012, until March 22, 2013.
- Checks were issued before they were recorded in the General Ledger for 8 of 33 instances (24%) in 2012 and 9 of 29 instances (31%) in 2013. The number of days checks were issued before they were recorded in the General Ledger ranged from 4 to 25 days and 1 to 29 days in 2012 and 2013, respectively.

Accurate bank reconciliations and review of financial reports are basic and essential internal control components for sound fiscal management. Village officials rely on accurate reconciliations and financial reports to make sound financial decisions. It is therefore important that Council monitor the financial activity and assets of the Village and ensure financial reporting is accurate. A lack of segregation of duties and failure to accurately prepare and monitoring the accounting reports and records:

- 1) reduces the accountability over Village funds,
- 2) reduces the Council's ability to monitor financial activity and make informed financial decisions,
- 3) increases the likelihood that moneys will be misappropriated and not detected, and
- 4) increases the likelihood that the financial statements will be misstated.

We recommend the Village reconcile all active bank accounts on a monthly basis. The Village should document and adequately explain all adjusting factors. Village officials should review and sign the reconciliations indicating their review and approval. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately. Outstanding checks older than six months should be investigated and appropriate actions taken to remove them from the reconciliation if they no longer apply. For guidance the Village should utilize the Village Officer's Handbook.

Additionally, we recommend that the Village's officials and management implement additional internal controls to help strengthen the Village's internal control structure and reduce the likelihood of undetected errors.

**FINDING NUMBER 2013-007
(Continued)**

Officials' Response:

The Village will provide financial reports for review in the monthly Finance Committee meeting that will be approved by the Finance Chairperson.

**VILLAGE OF WOODLAWN
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-001	Proper posting of financial activity	No	Reissued as Finding 2013-001
2011-002	Failure to record OPWC on-half activity	No	Reissued as Finding 2013-002
2011-003	Destruction of Records	No	Reissued as Finding 2013-004
2011-004	Failure to properly post budgetary items to the accounting system	No	Reported in the Management Letter
2011-005	Failure to properly encumber funds	No	Reissued as Finding 2013-003
2011-006	Failure to properly transfer monies between funds	No	Reported in the Management Letter
2011-007	Failure to certify an amended certificate	No	Reported in the Management Letter
2011-008	Budgetary expenditures in excess of appropriations	Yes	
2011-009	Payment of property tax on village parcels	No	Reported in the Management Letter
2011-010	Failure to implement GASB 54	Yes	
2011-011	Lack of controls related to income tax collection procedures	No	Reissued as Finding 2013-006
2011-012	Failure to implement controls over cash accounts and reconciliations	No	Reissued as Finding 2013-007
2011-013	Finding for Recovery for tax payments for CIC	Yes	
2011-014	Lack of controls related to recreation department revenue procedures	No	Reissued as Finding 2013-005

Note: The report that contained the findings above for the year ended December 31, 2011 was issued in June 2013. Therefore, the comments could not be fully addressed in fiscal year 2012.

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Dave Yost • Auditor of State

VILLAGE OF WOODLAWN

HAMILTON 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
SEPTEMBER 1, 2015**