



Dave Yost • Auditor of State

VILLAGE OF WOODSFIELD
MONROE COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

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

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

Dave Yost
Auditor of State

March 26, 2012, except for Note 11 to the financial statements for which the date is July 20, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Woodsfield, Monroe County, Ohio (the Village), as of and for the year ended December 31, 2011. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2011 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011, or its changes in financial position or cash flows, where applicable for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Woodfield, Monroe County, as of December 31, 2011, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

As described in Note 1F, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The accompanying financial statements replace the financial statements for the Village of Woodfield, Monroe County, fiscal year ended December 31, 2011, previously issued with our report dated March 26, 2012. You should rely on this report rather than on our report dated March 26, 2012. The financial statements were revised to include the Note 11, which previously was omitted from the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

March 26, 2012, except for Note 11 to the financial statements for which the date is July 20, 2012

VILLAGE OF WOODSFIELD
MONROE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$39,440			\$75,330		\$114,770
Municipal Income Tax	201,499	\$249,674		17,722		468,895
Intergovernmental	61,849	137,167	\$51,030	350,015		600,061
Charges for Services	144,858	81,276		7,000	\$600	233,734
Fines, Licenses and Permits	21,795	1,989				23,784
Earnings on Investments	1,253	1,152			65,253	67,658
Miscellaneous	6,921	14,657			50,000	71,578
Total Cash Receipts	477,615	485,915	51,030	450,067	115,853	1,580,480
Cash Disbursements:						
Current:						
Security of Persons and Property	304,793	40,975				345,768
Public Health Services	12,556	19,307			75,183	107,046
Leisure Time Activities		75,094				75,094
Transportation		292,979				292,979
General Government	163,935	30,559				194,494
Debt Service:						
Redemption of Principal	300	8,201	37,962	50,787		97,250
Interest and Fiscal Charges		1,173	13,068	12,805		27,046
Capital Outlay		146,732		414,227		560,959
Total Cash Disbursements	481,584	615,020	51,030	477,819	75,183	1,700,636
Total Cash Receipts Over/(Under) Cash Disbursements	(3,969)	(129,105)	0	(27,752)	40,670	(120,156)
Other Financing Receipts:						
Proceeds from Sale of Public Debt:						
Sale of Notes		75,000		44,637		119,637
Sale of Fixed Assets				11,100		11,100
Other Financing Sources		2,446				2,446
Total Other Financing Receipts	0	77,446	0	55,737	0	133,183
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(3,969)	(51,659)	0	27,985	40,670	13,027
Fund Cash Balances, January 1	15,421	218,397	0	96,936	1,453,299	1,784,053
Fund Cash Balances, December 31						
Nonspendable					1,474,837	1,474,837
Restricted		149,992		124,921	14,557	289,470
Committed		16,746			4,575	21,321
Unassigned	11,452					11,452
Fund Cash Balances, December 31	\$11,452	\$166,738	\$0	\$124,921	\$1,493,969	\$1,797,080

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$3,745,570		\$3,745,570
Fines, Licenses and Permits	1,494	\$26,400	27,894
Total Operating Cash Receipts	<u>3,747,064</u>	<u>26,400</u>	<u>3,773,464</u>
Operating Cash Disbursements:			
Personal Services	628,949		628,949
Employee Fringe Benefits	241,056		241,056
Contractual Services	2,227,136		2,227,136
Supplies and Materials	368,257		368,257
Other	7,682	26,400	34,082
Total Operating Cash Disbursements	<u>3,473,080</u>	<u>26,400</u>	<u>3,499,480</u>
Operating Income/(Loss)	<u>273,984</u>	<u>0</u>	<u>273,984</u>
Non-Operating Cash Receipts:			
Property and Other Local Taxes	97,963		97,963
Special Assessments	263		263
Sale of Notes	31,623		31,623
Miscellaneous Receipts	11,825		11,825
Other Financing Sources	54,179		54,179
Total Non-Operating Cash Receipts	<u>195,853</u>	<u>0</u>	<u>195,853</u>
Non-Operating Cash Disbursements:			
Capital Outlay	155,953		155,953
Redemption of Principal	226,721		226,721
Interest and Other Fiscal Charges	93,885		93,885
Total Non-Operating Cash Disbursements	<u>476,559</u>	<u>0</u>	<u>476,559</u>
Net Receipts Over/(Under) Disbursements	(6,722)	0	(6,722)
Fund Cash Balances, January 1	<u>820,459</u>	<u>0</u>	<u>820,459</u>
Fund Cash Balances, December 31	<u>\$813,737</u>	<u>\$0</u>	<u>\$813,737</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, 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Village values certificate of deposits, mortgage-backed securities, and common stock at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Debt Service Fund

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

4. Capital Project Funds

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

Street Paving Project Fund – This fund receives an Ohio Public Works Commission grant for the paving of certain Village streets.

5. Permanent Funds

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

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

6. Enterprise Funds

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

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

7. Fiduciary Funds

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

7. Fiduciary Funds (Continued)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the activity of the Village Mayor's Court.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 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.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

1. Summary of Significant Accounting Policies Continued)

F. Fund Balance (Continued)

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.

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

2. Equity in Pooled Deposits and Investments

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

	2011
Demand deposits	\$1,085,980
Certificates of deposit	179,000
Other time deposits (savings account)	1,000
Total deposits	1,265,980
Mortgage-backed securities and common stock	1,344,837
Total investments	1,344,837
Total deposits and investments	\$2,610,817

At December 31, 2011, the Village's investment broker held \$214,738 in common stocks as part of the Brague Endowment Fund. This was the fair value of the common stock at December 31, 2011. Common stock is not an eligible investment for the Village under Ohio law.

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

Investments: Mortgage-backed securities are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2011, follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$595,340	\$477,615	(\$117,725)
Special Revenue	666,932	563,361	(103,571)
Debt Service	50,000	51,030	1,030
Capital Projects	497,490	505,804	8,314
Enterprise	3,676,944	3,942,917	265,973
Permanent	136,650	115,853	(20,797)
Total	\$5,623,356	\$5,656,580	\$33,224

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$612,278	\$483,305	\$128,973
Special Revenue	907,701	616,105	291,596
Debt Service	47,000	51,030	(4,030)
Capital Projects	683,593	477,915	205,678
Enterprise	4,540,056	3,995,038	545,018
Permanent	221,463	75,183	146,280
Total	\$7,012,091	\$5,698,576	\$1,313,515

4. Property Tax

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

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

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

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

5. Local Income Tax

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

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

6. Debt

Debt outstanding at December 31, 2011, was as follows:

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

6. Debt (Continued)

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$648,074	0.00 - 0.02%
Ohio Water Development Authority Loans	992,208	0.00 - 4.50%
General Obligation Notes	527,145	4.60 - 5.75%
General Obligation Bonds	1,232,341	4.00 - 4.38%
Bond Anticipation Note	512,000	1.38%
Total	<u>\$3,911,768</u>	

The Ohio Public Works Commission (OPWC) loans relate to water line, sewer line, and water and sewer plant improvement projects the Ohio Environmental Protection Agency mandated. The OPWC approved \$956,319 in loans to the Village for these projects. The Village will repay the loans in semiannual installments of \$24,611, including interest, over 20 years. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The 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 \$32,908, including interest, over a total of 30 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village also has outstanding an Ohio Water Development Authority (OWDA) loan in the total amount of \$188,256 relating to waterline extensions. As of December 31, 2011, \$130,576 of these proceeds has been received by the Village. The final amount of the loans is subject to change based on the close-out of the project and the actual amounts utilized by the Village. The loans will be collateralized by water receipts.

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

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

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

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

6. Debt (Continued)

Year ending December 31:	OPWC Loans	OWDA Loans	General Obligation Notes	General Obligation Bonds	Bond Anticipation Note
2012	\$49,222	\$65,817	\$131,957	\$98,892	\$519,040
2013	49,222	65,816	106,689	98,892	
2014	46,520	65,817	101,453	98,887	
2015	46,520	65,816	101,453	98,878	
2016	46,520	65,817	24,607	98,864	
2017-2021	212,398	329,083	69,307	487,973	
2022-2026	150,951	298,942	69,307	478,281	
2027-2031	83,029	150,120	53,136	286,969	
2032-2036		116,566			
2037-2041		23,313			
Total	<u>\$684,382</u>	<u>\$1,247,107</u>	<u>\$657,909</u>	<u>\$1,747,636</u>	<u>\$519,040</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 2011, OP&F participants contributed 10% of their wages. For 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011, 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, 2011.

One Village official chose not to belong to OPERS and instead contributed to Social Security. For 2011, this official contributed 6.2% of their gross salary. For 2011, 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, 2011.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. Contingent Liabilities

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

10. Subsequent Event

Village Council approved the renewal of the \$590,000 2011 year bond anticipation note. The 2012 renewal was issued for \$512,000 at a percentage rate of 1.375%. The note is dated January 20, 2012 with maturity date of January 20, 2013.

11. American Municipal Power Generating Station Project

The Village of Woodsfield is a member of American Municipal Power (AMP) and is a participant in the American Municipal Power Generating Station Project (AMPGS). This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village executed a take-or-pay contract on November 1, 2007 to participate in the AMPGS Project. The Village's share was 3,000 kW of a total of 771,281 kW, giving The Village a 0.39 percent share.

The Plant was estimated to be a \$3 billion project, but the project's targeted capital costs increased by 37 percent and the engineer, procure and construct ("EPC") contractor could not guarantee that the costs would not continue to escalate. In November 2009, the participants voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio.

The take or pay contract requires participants to pay any costs incurred for this project. Based on an allocation to Woodsfield of 3,000 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2011 the Village of Woodsfield has a potential stranded cost obligation of \$490,666 for the AMPGS Project. The Village has agreed to monthly payments to AMP of \$2,022 for up to 15 years for the Village's portion of their stranded cost obligation. This payment is reflected on the Village's monthly power bill received from AMP.

When the participants voted to terminate the coal power plant they voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (NGCC Plant). The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the NGCC Plant was suspended due to the availability of the AMP Fremont Energy Center (AFEC) at a favorable price.

Along with the purchase of AFEC a Development Fee was established. AFEC participants are a separate group of AMP members that obtained financing for expertise in engineering, consulting and other development costs obtained by AMP for Natural Gas Combined Cycle power plants. This amount is financed by AMP, Inc. and is to be collected through debt service from AFEC participants. The Development Fee paid by all AFEC Participants is credited to the potential AMPGS costs of each AFEC participant that is also an AMPGS participant in proportion to their relative percentage of AFEC (*but not less than zero*) as approved by the AMP Board. The Village is a participant in the AFEC project and has received a credit to reduce its share of AMPGS potential stranded costs of \$196,305. This credit is proportionate to its AFEC allocation kW share of 1,875 and the total kW share of those participating in both projects. The credit is legally enforceable up to the obligation as per AMP Board resolution 1601A (dated May 3, 2011). Thus, the Village has not recorded this credit in its financial statements as of December 31, 2011.

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

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

To the Village Council:

We have audited the financial statements of the Village of Woodsfield, Monroe County, Ohio (the Village), as of and for the year ended December 31, 2011, and have issued our report thereon dated March 26, 2012, except for Note 11 to the financial statements for which the date is July 20, 2012, wherein we noted the Village has adopted Governmental Accounting Standards Board Statement No. 54 and the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-01 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 26, 2012.

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



Dave Yost
Auditor of State

March 26, 2012, except for Note 11 to the financial statements for which the date is July 20, 2012

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011

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

FINDING NUMBER 2011-01

Significant Deficiency

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

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

<u>Fund</u>	<u>Amount Per Last Amended Certificate</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
General	\$595,340	\$591,857	(\$3,483)
Street Construction	403,500	328,500	(75,000)
Parks and Recreation	103,500	103,000	(500)
Fire Equipment	51,092	14,050	(37,042)
Street Debt Service	50,000	39,000	(11,000)
Building	35,800	24,700	(11,100)
Ohio Public Works Commission	381,690	28,876	(352,814)
Street Paving Project	0	362,000	362,000
Cemetery Endowment	51,650	1,650	(50,000)
Water Operating	560,594	485,750	(74,844)
Sewer Operating	293,006	250,500	(42,506)
Electric Operating	2,023,132	1,997,500	(25,632)
Cable System	591,712	590,000	(1,712)

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011
(Continued)**

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

FINDING NUMBER 2011-01 (Continued)

Significant Deficiency (Continued)

<u>Fund</u>	<u>Amount Per Annual Appropriation Resolution</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
General	\$611,137	\$609,621	(\$1,516)
Cemetery	32,883	29,283	(3,600)
Parks and Recreation	129,541	115,124	(14,417)
Income Tax	37,028	32,674	(4,354)
Street Debt Service	47,000	51,036	4,036
WTP Sludge Handling	0	24,947	24,947
Ohio Public Works Commission	406,637	19,960	(386,677)
Firehouse Building	230,000	165,780	(64,220)
Street Paving Project	0	362,000	362,000
Water Improvement/Emergency	85,310	82,281	(3,029)
Sewer Operating	291,821	297,052	5,231
Electric Operating	2,280,004	2,374,807	94,803
Light Improvement/Emergency	157,554	152,554	(5,000)

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

We recommend Village Council approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Village Fiscal Officer should post these amendments only after obtaining the required approvals. We also recommend the Village Fiscal Officer record only estimated receipts from the Certificate of Estimated Resources and any amendments thereto.

Officials' Response: We did not receive a response from Officials to this finding.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Rev. Code Section 5705.41(B) - expenditures exceeding appropriations within several funds.	Yes	N/A.
2010-002	Ohio Rev. Code Section 5705.41(D)(1) – for not always obtaining prior certification of available funds for obligations.	Yes	N/A.
2010-003	Significant Deficiency – for not posting approved budgeted receipts and appropriations correctly to the UAN system.	No	Not Corrected; Repeated as Finding No. 2011-01.

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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
AUGUST 21, 2012