



Dave Yost • Auditor of State

VILLAGE OF WOODSFIELD
MONROE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Woodsfield, Monroe County, Ohio (the Village), as of and for the year ended December 31, 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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Woodsfield, Monroe County as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 10, 2013

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$40,045					\$40,045
Municipal Income Tax	232,178	\$277,323		\$20,008		529,509
Intergovernmental	75,886	74,058	\$57,964	79,617		287,525
Charges for Services	152,787	98,667		4,800	\$555	256,809
Fines, Licenses and Permits	29,974	2,700				32,674
Earnings on Investments	1,114	595			35,514	37,223
Miscellaneous	22,923	14,166				37,089
<i>Total Cash Receipts</i>	<u>554,907</u>	<u>467,509</u>	<u>57,964</u>	<u>104,425</u>	<u>36,069</u>	<u>1,220,874</u>
Cash Disbursements						
Current:						
Security of Persons and Property	343,648	30,193				373,841
Public Health Services	12,734	20,614			74,393	107,741
Leisure Time Activities		83,857				83,857
Transportation		280,998				280,998
General Government	182,535	28,161		1,071		211,767
Capital Outlay		105,535		14,190	26,750	146,475
Debt Service:						
Principal Retirement		2,300	44,430	53,129		99,859
Interest and Fiscal Charges		936	13,534	10,463		24,933
<i>Total Cash Disbursements</i>	<u>538,917</u>	<u>552,594</u>	<u>57,964</u>	<u>78,853</u>	<u>101,143</u>	<u>1,329,471</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>15,990</u>	<u>(85,085)</u>	<u>0</u>	<u>25,572</u>	<u>(65,074)</u>	<u>(108,597)</u>
Other Financing Receipts (Disbursements)						
Sale of Notes		61,125				61,125
Transfers In	9,526					9,526
Transfers Out		(9,526)				(9,526)
Other Financing Sources	8	1,600				1,608
<i>Total Other Financing Receipts (Disbursements)</i>	<u>9,534</u>	<u>53,199</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>62,733</u>
<i>Net Change in Fund Cash Balances</i>	<u>25,524</u>	<u>(31,886)</u>	<u>0</u>	<u>25,572</u>	<u>(65,074)</u>	<u>(45,864)</u>
<i>Fund Cash Balances, January 1</i>	<u>11,452</u>	<u>166,738</u>	<u>0</u>	<u>124,921</u>	<u>1,493,969</u>	<u>1,797,080</u>
Fund Cash Balances, December 31						
Nonspendable					1,427,857	1,427,857
Restricted		134,852		111,293	1,038	247,183
Committed				39,200		39,200
Unassigned	36,976					36,976
<i>Fund Cash Balances, December 31</i>	<u>\$36,976</u>	<u>\$134,852</u>	<u>\$0</u>	<u>\$150,493</u>	<u>\$1,428,895</u>	<u>\$1,751,216</u>

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

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

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$3,908,816
Fines, Licenses and Permits	2,784
	<u>3,911,600</u>
<i>Total Operating Cash Receipts</i>	<u>3,911,600</u>
Operating Cash Disbursements	
Personal Services	657,695
Employee Fringe Benefits	253,421
Contractual Services	2,070,021
Supplies and Materials	450,130
Other	22,765
	<u>3,454,032</u>
<i>Total Operating Cash Disbursements</i>	<u>3,454,032</u>
<i>Operating Income</i>	<u>457,568</u>
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	98,729
Sale of Notes	512,000
Miscellaneous Receipts	3,679
Capital Outlay	(81,238)
Principal Retirement	(737,758)
Interest and Other Fiscal Charges	(87,878)
Other Financing Sources	7,945
	<u>(284,521)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(284,521)</u>
<i>Net Change in Fund Cash Balances</i>	173,047
<i>Fund Cash Balances, January 1</i>	<u>813,737</u>
<i>Fund Cash Balances, December 31</i>	<u>\$986,784</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, 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 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 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 capital projects. The Village had the following significant Special Revenue Fund:

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(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, motor vehicle tax and municipal income tax money for constructing, maintaining, and repairing Village streets.

3. Debt Service Funds

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

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

4. Capital Project Funds

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

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

5. Permanent Funds

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

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

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.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund 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 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

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

1. Summary of Significant Accounting Policies Continued)

F. Fund Balance (Continued)

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.

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:

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

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

2. Equity in Pooled Deposits and Investments (Continued)

	2012
Demand deposits	\$1,319,456
Certificates of deposit	129,000
Other time deposits (savings account)	1,000
Total deposits	1,449,456
Mortgage-backed securities and common stock	1,288,544
Total investments	1,288,544
Total deposits and investments	\$2,738,000

At December 31, 2012, the Village's investment broker held \$332,764 in common stocks as part of the Bague Endowment Fund. This was the fair value of the common stock at December 31, 2012. 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, 2012, follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$665,216	\$564,441	(\$100,775)
Special Revenue	615,987	530,234	(85,753)
Debt Service	61,400	57,964	(3,436)
Capital Projects	105,200	104,425	(775)
Enterprise	4,280,482	4,533,953	253,471
Permanent	86,650	36,069	(50,581)
Total	\$5,814,935	\$5,827,086	\$12,151

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$709,993	\$538,917	\$171,076
Special Revenue	801,589	562,120	239,469
Debt Service	61,400	57,964	3,436
Capital Projects	230,025	78,853	151,172
Enterprise	5,371,198	4,360,906	1,010,292
Permanent	123,533	101,143	22,390
Total	\$7,297,738	\$5,699,903	\$1,597,835

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

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

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 June 10.

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, 2012, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$604,076	0.00 - 0.02%
Ohio Water Development Authority Loans	1,061,648	0.00 - 4.50%
General Obligation Notes	475,036	4.60 - 5.75%
General Obligation Bonds	1,182,823	4.00 - 4.38%
Bond Anticipation Note	440,500	1.38%
Total	\$3,764,083	

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

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

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

6. Debt (Continued)

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

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

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

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

Year ending December 31:	OPWC Loans	OWDA Loans	General Obligation Notes	General Obligation Bonds	Bond Anticipation Note
2013	\$49,222	\$73,770	\$118,418	\$98,892	\$441,062
2014	46,520	73,770	113,181	98,887	
2015	46,520	73,770	113,181	98,877	
2016	46,520	73,770	36,335	98,864	
2017	44,994	73,770	25,590	98,846	
2018-2022	200,622	368,851	74,196	484,784	
2023-2027	136,185	308,569	69,307	478,281	
2028-2032	64,579	149,688	39,285	191,313	
2033-2037		116,566			
Total	<u>\$635,162</u>	<u>\$1,312,524</u>	<u>\$589,493</u>	<u>\$1,648,744</u>	<u>\$441,062</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 2012, OP&F participants contributed 10% of their wages. For 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012, 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, 2012.

One Village official chose not to belong to OPERS and instead contributed to Social Security. For 2012, this official contributed 4.2% of their gross salary. For 2012, 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, 2012.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

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

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.

10. Subsequent Event

Village Council approved the renewal of the \$512,000 2012 year bond anticipation note. The 2013 renewal was issued for \$434,000 at a percentage rate of 1.375%. The note is dated January 24, 2013 with maturity date of January 24, 2014.

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, 2012 the Village of Woodsfield has a potential stranded cost obligation of \$468,423 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.

VILLAGE OF WOODSFIELD
MONROE COUNTY

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

11. American Municipal Power Generating Station Project (Continued)

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, 2012.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Woodsfield, Monroe County, Ohio (the Village), as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated June 10, 2013, wherein we noted the Village followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits.

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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider Findings 2012-01 and 2012-03 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 2012-04 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 2012-01 and 2012-02.

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

June 10, 2013

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012

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

FINDING NUMBER 2012-01

Noncompliance and Material Weakness

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

The Village maintains an investment account for the Bague Endowment Fund. During 2012, the Village withdrew money from the investment account as needed and posted the withdrawn amounts as receipts. The amounts withdrawn were based on the Village's cash flow needs at the time of request and were not based on actual income of the investment account. This resulted in receipts being overstated by \$56,293 in the Bague Endowment Fund. These withdraws were also expended and the spendable fund balance was not adequate to cover the amount spent which caused \$46,980 of the non-spendable balance to be expended.

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

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

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

FINDING NUMBER 2012-02

Noncompliance Citation

Article VIII, Sections 4 and 6 of the Ohio Constitution prohibits public bodies from becoming a "stockholder in any joint stock company, corporation or association." The Village passed an investment policy on January 20, 2009, which does not list common stock as an allowable investment.

The Village's investment broker, who handles the investment of the monies held in the Village's Bague Endowment Fund (a permanent trust fund), invested part of these monies in various common stocks during 2012. The fair market value of the Village's investments in common stocks at December 31, 2012 was \$332,764, or 29%, of the Village's investment account for the Bague endowment.

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

Officials' Response: The Village is going to request a legal opinion from the Village Solicitor to allow the investing and the trading of stock for monies held in the Bague Endowment Fund and to also amend the village investment policy to reflect such opinion.

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012
(Continued)

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

FINDING NUMBER 2012-03

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The Village Officer's Handbook (revised March 2012) and the UAN Accounting and General Manual (revised December 2012) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village did not always record receipts and disbursements into accurate classifications, or record all such transactions, based upon the source of the receipt or the purpose of disbursement. Fire Department monies received from Center Township in the amount of \$79,617 were posted to "Property Taxes" instead of "Intergovernmental" within the Firehouse Building Capital Projects Fund. The Village also failed to record bond anticipation note proceeds and principal payments of \$512,000 within the Electric Operating Enterprise Fund for the issuance of bond anticipation notes through AMP Ohio to their accounting records. The Village adjusted the accompanying financial statements to reflect these items.

We recommend the Village utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions. We also recommend that when the Village rolls over a note debt issue, the activity be posted to the Village's accounting records as a memo receipt and expenditure.

Officials' Response: The Village Clerk will make appropriate adjustments to record receipts and disbursements more accurately.

FINDING NUMBER 2012-04

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 County Budget Commission approved budgeted receipts, and any amendments made to them, to the accounting system for the funds noted below. Variances existed between the amended certificates of estimated resources and the amounts posted to the accounting system. The following table details these variances:

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-04 (Continued)

Significant Deficiency (Continued)

<u>Fund</u>	<u>Amount Per Last Amended Certificate</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
General	\$665,216	\$635,950	(\$29,266)
Street Construction	395,726	334,600	(61,126)
Street Debt Service	61,400	55,000	(6,400)

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

<u>Fund</u>	<u>Amount Per Annual Appropriation Resolution</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
General	\$709,993	\$675,604	(\$34,389)
Cable System Fund	888,942	783,299	(105,643)

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

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

Officials' Response: The Village Clerk will monitor more closely the posting of approved appropriations.

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF PRIOR AUDIT FINDING
DECEMBER 31, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Significant Deficiency – for not posting approved budgeted receipts and appropriations correctly to the UAN system.	No	Not Corrected; Repeated as Finding No. 2012-04.



Dave Yost • Auditor of State

VILLAGE OF WOODSFIELD

MONROE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 25, 2013**