



Dave Yost • Auditor of State

VILLAGE OF WOODSFIELD
MONROE COUNTY
DECEMBER 31, 2017

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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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Woodsfield, Monroe County, Ohio (the Village), as of and for the year ended December 31, 2017.

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 § 117.38 and Ohio Administrative Code § 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 such 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 opinions.

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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.

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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis 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, 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Woodsfield, Monroe County, Ohio, as of December 31, 2017, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2018, 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

November 1, 2018

**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, 2017**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$138,925	\$9,193	\$0	\$0	\$148,118
Municipal Income Tax	206,519	264,224	17,418	0	488,161
Intergovernmental	25,814	106,169	22,500	0	154,483
Charges for Services	162,624	135,958	60,032	455	359,069
Fines, Licenses and Permits	35,169	818	0	0	35,987
Earnings on Investments	1,213	42	0	46,524	47,779
Miscellaneous	27,600	130,049	4	377	158,030
<i>Total Cash Receipts</i>	<u>597,864</u>	<u>646,453</u>	<u>99,954</u>	<u>47,356</u>	<u>1,391,627</u>
Cash Disbursements					
Current:					
Security of Persons and Property	416,224	23,294	0	0	439,518
Public Health Services	0	87,599	0	43,552	131,151
Leisure Time Activities	0	93,207	0	0	93,207
Transportation	0	250,521	0	0	250,521
General Government	210,148	22,216	0	0	232,364
Capital Outlay	15,900	223,116	240,958	0	479,974
Debt Service:					
Principal Retirement	4,065	34,716	0	5,288	44,069
Interest and Fiscal Charges	2,916	9,208	0	45	12,169
<i>Total Cash Disbursements</i>	<u>649,253</u>	<u>743,877</u>	<u>240,958</u>	<u>48,885</u>	<u>1,682,973</u>
<i>Excess of Cash Receipts (Under) Cash Disbursements</i>	<u>(51,389)</u>	<u>(97,424)</u>	<u>(141,004)</u>	<u>(1,529)</u>	<u>(291,346)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes	0	221,962	0	0	221,962
Transfers In	0	4,750	0	1,700	6,450
Transfers Out	(15,950)	0	0	0	(15,950)
Advances In	0	150	22,500	0	22,650
Advances Out	(8,150)	0	(22,500)	0	(30,650)
Other Financing Sources	0	10,667	0	0	10,667
Other Financing Uses	(203)	0	0	0	(203)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(24,303)</u>	<u>237,529</u>	<u>0</u>	<u>1,700</u>	<u>214,926</u>
<i>Net Change in Fund Cash Balances</i>	<u>(75,692)</u>	<u>140,105</u>	<u>(141,004)</u>	<u>171</u>	<u>(76,420)</u>
<i>Fund Cash Balances, January 1</i>	<u>169,681</u>	<u>129,296</u>	<u>239,184</u>	<u>1,337,179</u>	<u>1,875,340</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	1,336,463	1,336,463
Restricted	0	142,110	81,061	887	224,058
Committed	0	127,291	17,119	0	144,410
Assigned	93,989	0	0	0	93,989
<i>Fund Cash Balances, December 31</i>	<u>\$93,989</u>	<u>\$269,401</u>	<u>\$98,180</u>	<u>\$1,337,350</u>	<u>\$1,798,920</u>

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

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$4,156,531	\$0	\$4,156,531
Fines, Licenses, and Permits	2,393	0	2,393
Miscellaneous	608	0	608
<i>Total Operating Cash Receipts</i>	<u>4,159,532</u>	<u>0</u>	<u>4,159,532</u>
Operating Cash Disbursements			
Personal Services	744,495	0	744,495
Employee Fringe Benefits	428,409	0	428,409
Contractual Services	2,237,059	0	2,237,059
Supplies and Materials	351,192	0	351,192
Other	4,620	0	4,620
<i>Total Operating Cash Disbursements</i>	<u>3,765,775</u>	<u>0</u>	<u>3,765,775</u>
<i>Operating Income (Loss)</i>	<u>393,757</u>	<u>0</u>	<u>393,757</u>
Non-Operating Receipts (Disbursements)			
Property and Other Local Taxes	5,671	0	5,671
Sale of Notes	129,036	0	129,036
Other Debt Proceeds	156,230	0	156,230
Other Non-Operating Cash Receipts	28,146	46,176	74,322
Capital Outlay	(458,866)	0	(458,866)
Principal Retirement	(308,807)	0	(308,807)
Interest and Other Fiscal Charges	(79,908)	0	(79,908)
Other Financing Sources	2,160	0	2,160
Other Non-Operating Cash Disbursements	0	(46,176)	(46,176)
Transfers In	11,000	0	11,000
Transfers Out	(1,500)	0	(1,500)
Advances In	30,500	0	30,500
Advances Out	(22,500)	0	(22,500)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(508,838)</u>	<u>0</u>	<u>(508,838)</u>
<i>Net Change in Fund Cash Balances</i>	(115,081)	0	(115,081)
<i>Fund Cash Balances, January 1</i>	<u>1,129,981</u>	<u>0</u>	<u>1,129,981</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,014,900</u></u>	<u><u>\$0</u></u>	<u><u>\$1,014,900</u></u>

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

**Village of Woodsfield
Monroe County**

*Notes to the Financial Statements
For the Year Ended December 31, 2017*

Note 1 - Reporting Entity

The Village of Woodsfield, Monroe County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, electric, and television cable / internet utilities, park operations, cemetery services, and police services to over 2,400 residents. The Village contracts with the Woodsfield Volunteer Fire Department to provide fire protection services and also controls the fire department's grants and levy funds.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire Protective Services The fire protective services fund receives levy monies from Center Township for fire protection services to the township. This fund is utilized for larger purchases such as in 2017 a new fire truck.

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:

Firehouse Building Fund The firehouse building fund received levy monies from Center Township to fulfill a contract with the Village for fire protection services.

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:

**Village of Woodfield
Monroe County**

*Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)*

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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 Oaklawn Cemetery.

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 The fund receives revenue from the sale of electricity to municipal electric customers, both commercial and residential, and charges for services to customers. Also within this fund are proceeds from the American Municipal Power (AMP) line of credit for repairs required at the electric substation following a fire. Repayments to the line of credit, and other debt related to the electric department are paid out of this fund along with regular operating expenses.

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for activity of the Mayor's Court. This fund receives fines and forfeitures from police department citations. These monies are divided between the Village and the State, as prescribed by law.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Budgetary Process

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

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

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 Woodfield
Monroe County

Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

The Village values certificates of deposit, mortgage-backed securities, and common stock at cost.

Capital Assets

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

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.

Fund Balance

Fund balance is divided into four 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:

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

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.

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.

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

**Village of Woodsfield
Monroe County**

*Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)*

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (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.

Note 3 – Compliance

Contrary to Ohio Rev. Code § 5705.38(A), the Village did not pass an annual appropriations measure for 2017 which resulted in all Village fund expenditures exceeding appropriations in 2017 contrary to Ohio Rev. Code § 5705.41(B).

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$536,720	\$597,862	\$61,142
Special Revenue	686,358	883,832	197,474
Capital Projects	125,550	99,954	(25,596)
Enterprise	4,416,105	4,491,775	75,670
Permanent	90,950	49,056	(41,894)
Total	\$5,855,683	\$6,122,479	\$266,796

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$675,093	(\$675,093)
Special Revenue	0	748,971	(748,971)
Capital Projects	0	240,958	(240,958)
Enterprise	0	4,637,768	(4,637,768)
Permanent	0	48,906	(48,906)
Total	\$0	\$6,351,696	(\$6,351,696)

Village of Woodsfield
Monroe County

Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 5 – Deposits and Investments

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

	<u>2017</u>
Demand deposits	\$1,485,049
Certificates of deposit	129,000
Other time deposits (savings and NOW accounts)	<u>1,000</u>
Total deposits	<u>1,615,049</u>
Mortgage-backed securities	<u>1,198,771</u>
Total investments	<u>1,198,771</u>
Total deposits and investments	<u><u>\$2,813,820</u></u>

At December 31, 2017, the Village's investment broker held \$712,501 in common stocks as part of the Brague Endowment Fund. This was the fair value of the common stock at December 31, 2017. 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

The Federal Reserve holds the Village's mortgage-backed securities in book-entry form in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

Note 6 – Taxes

Property Taxes

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

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

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

**Village of Woodsfield
Monroe County**

*Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)*

Note 6 – Taxes (Continued)

Income Taxes

The Village levies a municipal income tax of 1% (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.

Note 7 – Interfund Balances

Advances

Outstanding advances at December 31, 2017, consisted of \$8,150 advanced from the General Fund to the Special Revenue: Drug Law Enforcement and Enterprise: Sewer Operating funds, in the amounts of \$150 and \$8,000, respectively, to pay for payroll expenses.

Note 8 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance with Westfield Insurance Company through a local agent, F.W. Schumacher Agency, for the following risks:

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

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees, other than full-time Police Officers, 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. 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, 2017.

Ohio Police and Fire Retirement System

Village's full-time Police Officers belong to the 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.

**Village of Woodsfield
Monroe County**

*Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)*

Note 9 - Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017

Social Security

Village Council members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 10 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1.0 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 11 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$410,463	0.00-0.02%
Ohio Water Development Authority Loans	805,591	0.00-4.50%
General Obligation Notes	577,492	3.50-5.00%
General Obligation Bonds	903,841	4.00-4.375%
Loan Agreement (line of credit)	870,303	N/A
Total	<u>\$3,567,690</u>	

The Ohio Public Works Commission (OPWC) loans relate to water line, sewer line, and water and sewer plan 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 related 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. In addition, the Village has an open loan of \$201,508 for engineering of their Long-Term Control Plan, of which \$141,953 was drawn.

**Village of Woodsfield
Monroe County**

*Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)*

Note 11 – Debt (Continued)

The Village issued general obligation notes to finance the purchase of a garage, the purchase of new equipment and trucks for the street and utility departments, and the purchase of the Weckenbacher property, which was part of the EPA mandated Long-Term Control Plan (LTCP) for a Sewer Separation Project. 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.

In 2016, the Village authorized a loan agreement with American Municipal Power, Inc. (AMP) to lend the Village \$1,000,000 for the purpose of financing the cost of making improvements to the Village' municipal electric system; which included a transformer and substation repair and improvements following a May 2016 fire at the Village' substation. This loan was initially made as an advance from AMP's bank line of credit (LOC). In January 2017, the Village retired its \$297,500 BAN balance by placing it on the LOC. The Village continued to make payments of \$8,000 in principal, plus interest, each month to AMP.

Amortization

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
2018	\$43,468	\$36,885	\$127,156	\$98,923
2019	43,468	73,770	127,156	98,892
2020	43,468	73,770	94,893	95,656
2021	40,234	73,770	77,340	95,656
2022	37,001	73,770	68,994	95,656
2023-2027	141,676	323,641	93,617	478,281
2028-2032	73,804	159,847	84,679	191,313
2033-2037	0	116,566	0	0
2038-2042	0	11,657	0	0
Total	\$423,119	\$943,676	\$673,835	\$1,154,377

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 3,000 kilowatts of a total 771,281 kilowatts, giving the Village a 0.39 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$518,407.

Village of Woodsfield
Monroe County

Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 11 – Debt (Continued)

The Village received a credit of \$201,491 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$135,675 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU). In addition the Village made payments totaling \$52,574 leaving an estimated net impaired cost balance of \$128,667. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's net impaired cost balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014 the Village has made payments of \$105,774 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$6,173, and interest expense incurred on AMP's line-of-credit of \$3,627, resulting in a net impaired cost estimate at December 31, 2017 of \$32,693. The Village does have a potential PHFU Liability of \$142,069 resulting in a net total potential liability of \$174,762, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village intends to recover these costs and repay AMP through a power cost adjustment of \$2,022 per month until the liability is paid in full.

Note 12 – Subsequent Events

The Village was approved for USDA financing in October 2017 for their Long-Term Control Plan – Sewer Separation project. The Village was awarded grant funds of \$1,007,000 and loan funds up to \$1,171,000. Construction for this large project will begin in the summer of 2018. Additionally, the Fairground Road Waterline Project should begin in 2018. This project was originally approved for funding in 2016, also by USDA. The Village was approved for \$217,000 in grant funds and \$824,000 in loan funds. The project has been stalled awaiting legal work in regards to property owners. The Village has not drawn funds from either award.

By the close of 2017, the Village and AMP had coordinated efforts to issue a new 2018 BAN. The Village applied for a credit enhancement program through the Treasurer of State, the Ohio Market Access Program (OMAP), which leveraged the State's high credit rating in order to lower interest rates for the Village. The total amount of the 2018 BAN will be \$798,000, the debt remaining as of December 31, 2017. It is the intent of the Village to amortize the BAN over 18 years, to be paid by 2036.

Note 13 – AMP Revenue Coverage

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

**Village of Woodfield
Monroe County**

*Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)*

Note 13 – AMP Revenue Coverage (Continued)

	2017
Total Fund Cash Balance	<u>\$560,534</u>
Total Long-Term Debt (including Line of Credit)	870,303
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	2,254,482
Total Operating Receipts	<u>2,254,482</u>
Operating Expenses	
Personal Services	229,975
Employee Fringe Benefits	149,291
Contractual Services	1,754,434
Supplies and Materials	60,669
Other	4,620
	<u>2,198,989</u>
Operating Income	55,493
Nonoperating Receipts (Disbursements)	
Property and Other Local Taxes	5,671
Sale of Notes	87,580
Other Non-Operating Cash Receipts	17,421
Capital Outlay	(208,400)
Principal Retirement	(96,000)
Interest and Other Fiscal Charges	(4,986)
Other Financing Sources	563
Total Nonoperating Receipts (Disbursements)	<u>(198,151)</u>
Change in Fund Cash Balance	(142,658)
Beginning Fund Cash Balance	703,192
Ending Fund Cash Balance	<u><u>\$560,534</u></u>

	2017
Condensed Cash Flows Information:	
Net Cash Provided by:	
Operating Activities	\$55,493
Noncapital Financing Activities	
Other Noncapital Financing Activities	23,655
Net Cash Provided by Noncapital Financing Activities	<u>23,655</u>
Capital and Related Financing Activities	
Proceeds of Capital and Related Debt	87,580
Principal Payments on Capital and Related Debt	(96,000)
Interest Payments on Capital and Related Debt	(4,986)
Other Capital and Related Financing Activities	(208,400)
Net Cash (Used) by Capital and Related Financing Activities	<u>(221,806)</u>
Net (Decrease)	(142,658)
Beginning Fund Cash Balance	703,192
Ending Fund Cash Balance	<u><u>\$560,534</u></u>



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Woodsfield, Monroe County, Ohio (the Village), as of and for the year ended December 31, 2017, and the related notes to the financial statements and have issued our report thereon dated November 1, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 and significant deficiencies.

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 2017-006, 2017-008, and 2017-009 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 findings 2017-004 and 2017-005 described in the accompanying Schedule of Findings to be significant deficiencies.

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 2017-001 through 2017-007.

Village'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 subject the Village's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 1, 2018

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017

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

FINDING NUMBER 2017-001

Noncompliance

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Ohio Rev. Code § 133.22 allows a subdivision to issue anticipatory-securities; Ohio Rev. Code § 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision. Ohio Rev. Code § 133.15 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct and Ohio Rev. Code § 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

The Village has issued commercial promissory notes with a local banking institution for various purposes. This type of debt does not meet the criteria for any of the debt allowed in Ohio Rev. Code Chapter 133.

This type of debt is not authorized in Ohio Rev. Code Chapter 133. Without a statutory provision authorizing this method for incurring debt, the Village was not permitted to use such a method. The Village had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions.

The Village should consult with legal counsel before incurring debt to determine the debt is authorized by statute.

Officials' Response: The Village of Woodsfield utilizes a local financial institution long-standing in the community, Citizens National Bank. The bank offers the village an interest rate lower than any other type of financing known to be available. In instances where loan funds are needed and the Village does not have a big enough cash reserve, this type of debt is typical for large purchases.

FINDING NUMBER 2017-002

Noncompliance

Ohio Rev. Code § 731.14 states, in part, that all contracts made by the legislative authority of a village shall be executed in the name of the village and signed on its behalf by the mayor and clerk.

During 2017, we noted the following:

- On March 22, 2017, the Police Chief appeared on behalf of the Village of Woodsfield before the Monroe County Court of Common Pleas, Probate and Juvenile Division, to reopen the Dearth Family Trust, which relates to oil and gas royalty interests situated in Monroe County, and to appoint a new trustee for the trust. The Court ordered that the Trust be reopened, that the beneficiary of the trust be changed to "The Village of Woodsfield as owner of the Oaklawn Cemetery." The Court appointed Woodsfield Mayor, Michael E. Cox, as trustee. The Court further ordered that any funds coming into the hands of the trustee be used solely for the care and maintenance of Oaklawn Cemetery. Village Council was not made aware of these proceedings until May 18, 2017, when a motion was filed to accept Mayor Cox to be listed as the fiduciary for the Dearth Trust for Oaklawn Cemetery.

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017
(Continued)

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

FINDING NUMBER 2017-002 (Continued)

Noncompliance - Ohio Rev. Code § 731.14 (Continued)

- The Village Solicitor was not utilized during the court proceedings regarding the Dearth Family Trust. Outside legal counsel was employed to handle the matter without Village Council's knowledge.
- On June 18, 2017, a 5-year-paid-up oil and gas lease was entered into by the Village of Woodsfield, as owner of the Oaklawn Cemetery, and EM Energy Ohio, LLC, for the Village's interest in the land from the Dearth Family Trust. The lease and all related documents were signed only by the Mayor, without the knowledge of Village Council. Village Council did not authorize the execution of the lease.
- On September 27, 2017, the Village received a total of \$86,667 which represented full consideration of the 5-year oil and gas lease. The monies were subsequently deposited and posted to the Cemetery Fund as required by the Dearth Family Trust.

All contracts should be approved by Village Council prior to execution, and should be signed by both the Village Mayor and the Village Clerk. Also Village Council should have their legal counsel file a motion in the Monroe County Court of Common Pleas, Probate and Juvenile Division in order to change the fiduciary agent on the Dearth Trust to include more than one person on the Village's behalf.

Officials' Response: The Village of Woodsfield council passed a Resolution on November 5, 2018 designating officials by title, and not by name only, which are authorized to receive notice of activity of any transaction affecting any account held by the village; and also hold the responsibility to inform the remainder of council. Monroe County Probate Court will be petitioned by the Village of Woodsfield to appoint as the trustees to the Carrie Dearth Trust the acting Mayor of the Village, the Fiscal Officer, and President of Council.

FINDING NUMBER 2017-003

Noncompliance

Ohio Rev. Code § 5705.38(A) states that on or about the first day of each fiscal year, the taxing authority of each subdivision or taxing unit shall pass an appropriation measure.

For 2017, there was no indication that Village Council adopted an appropriation measure. Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

Due to Village Council not passing an appropriation measure as indicated above, expenditures in all funds exceeded appropriations.

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

The Village Council should adopt an annual appropriation measure. Once the appropriations are officially adopted the Village Fiscal Officer should post the amounts to the computer system and then compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, Village Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017
(Continued)

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

FINDING NUMBER 2017-003 (Continued)

Noncompliance - Ohio Rev. Code § 5705.38(A)

Officials' Response: The Village of Woodsfield was without a Village Clerk from November 2016 until her untimely passing in early 2017. During that particular period there was no one who could fully complete all of her previous duties. The Treasurer resigned shortly thereafter. Therefore, Appropriations were overlooked at the time. The Fiscal Officer position was non-existent during the time period Appropriations were to be made, and that position was not filled until mid-April of 2017. Since such time, the village has adopted Appropriations in accordance with the Ohio Revised Code and filed them with the Monroe County Auditor.

FINDING NUMBER 2017-004

Noncompliance and Significant Deficiency

Ohio Rev. Code § 5705.10(D) states all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The receipt/disbursement activity for the Ohio Water Development Authority (OWDA) Long Term Control Plan in the amount of \$23,330 was recorded in the Special Revenue - OWDA Fund and should have been recorded in the Enterprise - Sewer Short-Lived Assets Fund.

The adjustment noted above has been agreed to by Village management and is reflected in the accompanying financial statements.

The Village Fiscal Officer should post receipts to the proper fund based upon its source.

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

FINDING NUMBER 2017-005

Noncompliance and Significant Deficiency

Woodsfield Village Code § 181.13 (Village Ordinance 1187-16 enacted on January 4, 2016) states that the municipal income tax revenues collected under the provisions of this chapter shall be deposited in the Village's Income Tax Receipt Fund and such funds shall be disbursed monthly in the following order:

- a) Five Thousand Dollars (\$5,000) to the Income Tax Fund to defray all costs of collecting the taxes and cost of administering and enforcing the provisions hereof.
- b) The balance of such funds available shall be disbursed to the following funds for the following purposes:
 - 39.0% to the Street Construction and Maintenance Fund for maintenance, repair, and / or improvement of municipal streets and roadways;
 - 7.5% to the Parks and Recreations Fund for recreation and recreation facilities;
 - 4.0% to the Building Fund for maintenance, repair, and / or improvement of municipal buildings;
 - 2.5% to the Fire Equipment Fund for improvement and upgrading of the Fire Department;

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017
(Continued)**

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

FINDING NUMBER 2017-005 (Continued)

Noncompliance and Significant Deficiency (Continued)

- 1.0% to the Sidewalk Fund for maintenance, repair, and / or improvement of sidewalks in the Village; and
- 46.0% to the General Fund which is subject to appropriation and expenditure by Council for any lawful purpose for which monies from the General Fund may properly be expended.

Village Ordinance 1208-17 enacted on June 6, 2017 superceded Village Ordinance 1187-16.

Woodsfield Village Code § 181.13 (a) was amended stating that Two Thousand Five Hundred Dollars (\$2,500) to the Income Tax Fund to defray all costs of collecting the taxes and cost of administering and enforcing the provisions hereof. The balance of such funds available shall be disbursed as mentioned under Woodsfield Village Code §181.13(b) above.

Village Ordinance 1216-17 enacted on October 16, 2017 superceded Village Ordinance 1208-17 and states that the municipal income tax revenues collected under the provisions of this chapter shall be deposited in the Village's Income Tax Receipt Fund and such funds shall be disbursed monthly in the following order:

- a) Two Thousand Five Hundred Dollars (\$2,500) to the Income Tax Fund to defray all costs of collecting the taxes and cost of administering and enforcing the provisions hereof.
- b) The balance of such funds available shall be disbursed to the following fund for the following purposes:
 - 39.0% to the Street Construction and Maintenance Fund for maintenance, repair, and / or improvement of municipal streets and roadways;
 - 7.5% to the Parks and Receptions Fund for recreation and recreation facilities;
 - 3.5% to the Building Fund for maintenance, repair, and / or improvement of municipal buildings;
 - 2.5% to the Fire Equipment Fund for improvement and upgrading of the Fire Department;
 - 1.0% to the Sidewalk Fund and the Property Maintenance Fund, to be allocated as follows:
 - First, to the Sidewalk Fund (for the maintenance, repair, and / or improvement of sidewalks in the Village) up to the time such account should reach a maximum balance of \$2,500; (provided, further, that any disbursement from the Sidewalk Fund shall be reimbursed to the Sidewalk Fund from the General Fund in such account as is necessary to restore the Sidewalk Fund to a balance of \$2,500). Thereafter, all additional funds from this allocation shall be deposited to the Property Maintenance Fund;
 - 0.5 % to the Property Maintenance Fund; and
 - 46.0% to the General Fund which is subject to appropriation and expenditure by Council for any lawful purpose for which monies from the General Fund may properly be expended.

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017
(Continued)

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

FINDING NUMBER 2017-005 (Continued)

Noncompliance and Significant Deficiency - Woodsfield Village Code § 181.13 (Continued)

The Village Fiscal Officer did not allocate income tax monies in accordance with the Village's income tax ordinances. The General, Street Construction and Maintenance, Park and Recreation, Fire, Property Maintenance, and Building Funds, received an excess of income tax monies in the amounts of \$10,631, \$6,825, \$1,312, \$437, \$113, and \$663, respectively, and should have been allocated to the Income Tax and Sidewalk Funds in the amounts of \$17,500 and \$2,481, respectively.

The adjustments were agreed to by management and the adjustments have been posted to the accounting records and are reflected in the accompanying financial statements.

The Village did not have an internal control process in place to ensure income tax receipts are allocated to the proper funds in accordance to the Village income tax ordinance.

By not having a process to ensure income tax receipts are allocated to the correct fund could result in a material financial statement misstatement and go undetected.

The Village should follow the Village Ordinance in effect to allocate Income Tax Collections.

Officials' Response: The Village will ensure decisions made within the Finance Committee are also made as a motion and will ensure to include such decisions in official minutes in the future.

FINDING NUMBER 2017-006

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 2017, 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 \$5,824 in the Bague Endowment Fund.

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

The Village should only post the actual investment income received for the Bague Endowment Fund investment account as revenue and limit the disbursements to investment income received.

Officials' Response: This issue has since been resolved by switching to investment portfolio that is easier to understand.

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017
(Continued)

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

FINDING NUMBER 2017-007

Noncompliance

Article VIII, §§ 4 and 6 of the Ohio Constitution prohibit public bodies from becoming a “stockholder in any joint stock company, corporation or association.”

The Village Council adopted an investment policy on January 20, 2009, which did not list common stock as an allowable investment.

The Village’s investment broker, who handles the investment of the monies held in the Village’s Brague Endowment Fund (a permanent trust fund), invested part of these monies in various common stocks during 2017. The fair market value of the Village’s investments in common stocks at December 31, 2017 was \$712,501, or 63%, of the Village’s investment account for the Brague endowment.

Village Council should 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, §§ 4 and 6 of the Ohio Constitution.

Officials’ Response: The Village has since revised their Investment Policy relative to endowment funds.

FINDING NUMBER 2017-008

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Village Officer’s Handbook (revised March 2018) and the UAN Accounting and General Manual (revised November 2017) 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.

We noted the following:

- The Fiscal Officer did not record Note Proceeds for a 2017 Pumper Fire Pumper Truck in the amount of \$221,962 in the Special Revenue - Fire Protection Services Fund for the issuance of a promissory note through Citizens National Bank to their accounting records.
- Oil and gas lease royalties in the amount of \$86,667 was posted to Other Financing Sources; instead of Miscellaneous Revenue in the Special Revenue - Cemetery Fund.
- Center Township levy funds for fire protection services in the amount of \$54,832 were posted to Property and Other Local Taxes instead of Charges for Services in the Capital Projects - Firehouse Building Fund.

**VILLAGE OF WOODSFIELD
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017
(Continued)**

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

FINDING NUMBER 2017-008 (Continued)

Material Weakness (Continued)

- The Fiscal Officer did not record Note Proceeds for a 2016 Backhoe in the amount of \$41,457 within the Water and Sewer Fund for the issuance of a promissory note through Citizens National Bank to their accounting records.
- An AMP Line of Credit draw was posted to Electric Fund - Miscellaneous Revenue in the amount of \$18,316; however should have been posted to Electric Fund - Note Proceeds.
- Transfers In/Out in the Special Revenue - OPWC and Enterprise - Sewer Short-Lived Assets in the amount of \$22,500 should be classified as Advances In/Out.
- An AMP payment was posted to Electric Fund - Principal and Interest in the amounts of \$8,000 and \$416; respectively; however should have been posted to Electric Fund - Other Contractual Services.

The adjustments above were agreed to by Village management and are reflected in the accompanying financial statements.

In addition to the adjustments listed above, we also identified additional misstatements ranging from \$343 to \$4,726 that we have brought to the Village's attention.

The Ohio Village Officer's Handbook also provides five suggested fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

We noted the following:

- The Village classified the fund balance of the General Fund in the amount of \$93,989 as unassigned; however, should have been assigned as appropriate so as to include year-end General Fund balance appropriated in the next fiscal year and also to include encumbrances outstanding as of December 31, 2017.
- The Village classified the fund balance of the Parks and Recreation, Income Tax, Property Maintenance, Fire Equipment and Sidewalk Maintenance, Special Revenue Funds', in the amounts of \$5,598, \$49,071, \$2,438, \$64,673, and \$5,516, respectively, as restricted rather than committed fund balance as appropriate.
- The Village classified the fund balance of the Building Fund, Capital Projects Fund-Type in the amount of \$17,119 as restricted rather than committed fund balance as appropriate. A percentage of income taxes is allocated to the Building Fund. The Village Council imposed an internal constraint on the resources in this fund and compliance with constraints imposed by the local government is not considered to be legally enforceable. Restricted fund balance constraints are externally imposed or are enacted through enabling legislation and are legally enforceable.
- The Village classified the fund balance of the Bague Endowment Fund, Permanent Fund-Type, in the amount of \$1,206,463, as restricted rather than nonspendable fund balance as appropriate. Under Governmental Accounting Standards Board Statement (GASB) 54, the principal of a permanent fund is reported as nonspendable.

The above adjustments, to which management agrees, are reflected in the accompanying financial statements.

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017
(Continued)

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

FINDING NUMBER 2017-008 (Continued)

Material Weakness (Continued)

The Village did not have procedures in place to accurately post receipts, disbursements, and fund balance in the correct classification to the accounting system.

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the Villages financial position and operations.

When Village Council issues debt and the financial institution pays the vendor directly, the activity should be posted to the Village's accounting records as a memo receipt and expenditure. The Village Clerk should also appropriately classify and record all receipt, disbursement, and fund balance transactions based on the source of the receipt, nature of the expenditure, and upon the constraints placed upon the use of the resources.

Officials' Response: Items above were addressed with the village by Auditor's Office. Errors were made, in part, due to multiple staffing changes after the former Clerk's untimely death.

FINDING NUMBER 2017-009

Material Weakness

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 Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriations reported in the accounting system provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by Village Council are precisely stated and accurately posted to the accounting system.

In 2017, the Village did not pass an appropriation resolution; therefore all funds' appropriations were posted incorrectly to the system. The appropriations should have been \$0 for all funds.

Because the information entered into the accounting system was not always accurate, the amount reported in Note 4 to the financial statements, in order to accurately present budget versus actual information, includes \$0 for appropriations as the appropriation resolution was not approved.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations posted to the accounting system were not formally approved by Village Council.

The Fiscal Officer should record all approved appropriations per the Appropriation Resolution, as well as all amendments to the Village's accounting system.

VILLAGE OF WOODSFIELD
MONROE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017
(Continued)

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

FINDING NUMBER 2017-009 (Continued)

Material Weakness (Continued)

Officials' Response: Again, the Village of Woodsfield was without a Clerk from November 2016 until her untimely passing in early 2017. During that time period the village did not have in its employ anyone who was cognizant of the requirements of the Village Clerk. The Treasurer resigned as well, leaving the village without any direction. The village contacted the Auditor of State for assistance and was sent a "traveling" fiscal officer who then left after one day and never returned. Multiple calls were made to UAN for assistance; and finally, a local township clerk was able to assist the village to a certain degree. No reference should be made in the citation to the Fiscal Officer for this time period because the position was not filled until mid-April 2017. The Fiscal Officer at this time is fully aware of the method of adopting Appropriations and has remedied this for FY 2018.

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The Village of Woodsfield
221 South Main Street
Woodsfield, OH 43793
(740) 472-0418

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance – Ohio Rev. Code § 133 for unallowable debt.	Not corrected.	The village will attempt to maintain capital improvement line items within each department to avoid borrowing funds in the future.
2016-002	Noncompliance and Material Weakness – Ohio Rev. Code § 117.38 for incomplete note disclosure	Partially Corrected.	This occurred prior to the current Fiscal Officer becoming employed with the Village.
2016-003	Noncompliance – Ohio Rev. Code § 5705.39 – total appropriations exceeding estimated resources.	Corrected.	
2016-004	Noncompliance and Material Weakness – Woodsfield, Ordinance 947-98 for receipts not being recorded correctly and non-spendable portion of investments being spent.	Not corrected.	The account holding non-spendable funds has since been frozen since the discovery of the infraction, which was discovered after the Fiscal Officer position was created.
2016-005	Noncompliance – Article VIII, §§ 4 and 6 of the Ohio Constitution for having investments in common stock.	Not corrected.	Investment in common stock refers to investments left in a trust to the village for the caretaking of the Oaklawn Cemetery, and were received in the form of stocks.
2016-006	Material Weakness – for not recording receipts, disbursements, and fund balance into accurate classifications or not recording all such transactions.	Not corrected.	The current Fiscal Officer will work to correct inaccurate classifications of funds.
2016-007	Material Weakness – for not properly updating accounting system for approved appropriations.	Not corrected.	Appropriations have been entered into the UAN system and filed with the county Auditor for FY 2018. They were entered into the UAN system in FY 2017 by a temporary employee assisting the village in their crisis. Unfortunately, they were not approved through legislative action. This has not occurred since a permanent employee has been appointed. FY 2018 Temporary and Permanent Appropriations were passed by Council per accepted accounting procedures.

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Dave Yost • Auditor of State

VILLAGE OF WOODSFIELD

MONROE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 20, 2018