



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF RICHWOOD  
UNION COUNTY

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Richwood  
Union County  
286 South Franklin Street  
Richwood, Ohio 43344

To the Village Council:

We have audited the accompanying financial statements of the Village of Richwood, Union County, Ohio, (the Village) as of and for the year ended December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

As described in Note 3, during 2001 the Village reclassified certain funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the financial statements of the Village, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements, and in our opinion, it is fairly stated, in all material respects, in relation to the financial statements.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**JIM PETRO**  
Auditor of State

September 20, 2002

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$302,476	\$13,596	\$0	\$316,072
Intergovernmental Receipts	90,879	158,848	9,108	258,835
Charges for Services	797	850	0	1,647
Fines, Licenses, and Permits	11,044	6,472	0	17,516
Earnings on Investments	21,368	0	0	21,368
Miscellaneous	48,878	5,719	0	54,597
	<u>475,442</u>	<u>185,485</u>	<u>9,108</u>	<u>670,035</u>
Total Cash Receipts				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	393,486	0	0	393,486
Public Health Services	3,440	0	0	3,440
Leisure Time Activities		23,208	0	23,208
Community Environment	6,104	0	0	6,104
Transportation	6,500	109,130	0	115,630
General Government	110,440	0	0	110,440
Capital Outlay		1,250	9,108	10,358
	<u>519,970</u>	<u>133,588</u>	<u>9,108</u>	<u>662,666</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(44,528)</u>	<u>51,897</u>	<u>0</u>	<u>7,369</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	0	45,000	0	45,000
Transfers-Out	<u>(82,011)</u>		<u>0</u>	<u>(82,011)</u>
Total Other Financing Receipts/(Disbursements)	<u>(82,011)</u>	<u>45,000</u>	<u>0</u>	<u>(37,011)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(126,539)	96,897	0	(29,642)
Fund Cash Balances, January 1	<u>381,960</u>	<u>44,320</u>	<u>0</u>	<u>426,280</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$255,421</u></b>	<b><u>\$141,217</u></b>	<b><u>\$0</u></b>	<b><u>\$396,638</u></b>

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

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	<u>\$522,519</u>	<u>\$0</u>	<u>\$522,519</u>
Total Operating Cash Receipts	<u>522,519</u>	<u>0</u>	<u>522,519</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	189,782		189,782
Fringe Benefits	69,952		69,952
Contractual Services	131,376		131,376
Supplies and Materials	52,437		52,437
Capital Outlay	<u>851,262</u>		<u>851,262</u>
Total Operating Cash Disbursements	<u>1,294,809</u>	<u>0</u>	<u>1,294,809</u>
Operating Income/(Loss)	<u>(772,290)</u>	<u>0</u>	<u>(772,290)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	<u>823,520</u>		<u>823,520</u>
Total Non-Operating Cash Receipts	<u>823,520</u>	<u>0</u>	<u>823,520</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	95,553		95,553
Other Non-Operating Cash Disbursements	<u>0</u>	<u>2,000</u>	<u>2,000</u>
Total Non-Operating Cash Disbursements	<u>95,553</u>	<u>2,000</u>	<u>97,553</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(44,323)	(2,000)	(46,323)
Transfers-In	<u>37,011</u>		<u>37,011</u>
Net Receipts Over/(Under) Disbursements	(7,312)	(2,000)	(9,312)
Fund Cash Balances, January 1	<u>469,555</u>	<u>5,345</u>	<u>474,900</u>
<b>Fund Cash Balances, December 31 (See Note 9)</b>	<b><u>\$462,243</u></b>	<b><u>\$3,345</u></b>	<b><u>\$465,588</u></b>

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

**VILLAGE OF VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Richwood, Union County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations (leisure time activities), and police services. The North Union Local Fire Department provides emergency medical services and fire protection to the Village.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and Star Ohio are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

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

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

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Industrial Park Development Fund - This fund receives state grant monies to develop an industrial park.

**4. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Water Construction Fund - This fund receives federal and state grant monies to finance the construction of a new water tower and improve water lines.

**5. Fiduciary Fund (Agency Fund)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following agency fund:

Insurance Escrow Fund: This fund holds money for fire damage clean-up of property within the Village.

**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 level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (continued)**

**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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2001
Demand deposits	\$216,116
Certificates of deposit	249,158
Total deposits	465,274
Investments:	
STAR Ohio	396,952
Total deposits and investments	\$862,226

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

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

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**3. ACCOUNTING CHANGE**

Several funds were reclassified by fund type to properly reflect fund activity in the Village. The following schedule reflects the effects of these fund re-classifications:

<u>Fund Type</u>	<u>Balance 12/31/2000</u>	<u>Re-Class</u>	<u>Correction</u>	<u>Restated Balance 1/1/2001</u>
General	\$377,115	\$4,845	\$0	\$381,960
Special Revenue	124,538	(80,218)	0	44,320
Capital Projects	22,233	0	(22,233)	0
Enterprise	371,949	75,373	22,233	469,555
Total	<u>\$895,835</u>	<u>\$0</u>	<u>\$0</u>	<u>\$895,835</u>

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$478,832	\$475,442	(\$3,390)
Special Revenue	216,431	230,485	14,054
Capital Projects	30,000	9,108	(20,892)
Enterprise	1,615,144	1,383,050	(232,094)
Total	<u>\$2,340,407</u>	<u>\$2,098,085</u>	<u>(\$242,322)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$485,424	\$601,981	(\$116,557)
Special Revenue	161,856	133,588	28,268
Capital Projects	30,000	9,108	20,892
Enterprise	1,758,144	1,390,362	367,782
Fiduciary	2,000	2,000	0
Total	<u>\$2,437,424</u>	<u>\$2,137,039</u>	<u>\$300,385</u>

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**5. PROPERTY TAX**

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

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

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

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

**6. LOCAL INCOME TAX**

The Village levies a municipal income tax of a half 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.

The income tax collection process is administered by the Regional Income Tax Authority.

**7. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA - Mortgage Revenue Bonds	\$431,000	6.00%
GMAC - Sewer Mortgage Revenue Bonds	487,000	5.00%
GMAC - Water Mortgage Revenue Bonds	103,000	5.00%
Ohio Water Development Authority	282,830	6.25%
Total	<u>\$1,303,830</u>	

The USDA Mortgage Revenue Bonds were for utility construction and improvement and the GMAC Mortgage Revenue Bonds were for the construction of a new water and sewer treatment plant. Revenue of the municipal sanitary sewer and water systems has been pledged to repay these debts. The USDA Bonds were issued in 1992 and the GMAC bonds were issued in 2000.

The Ohio Water Development Authority (OWDA) loan relates to the construction of a new water tower and improvements to sewer lines. An amortization schedule from OWDA will not be finalized until the remaining balance allocated for this project has been received by the Village. This loan is collateralized by water and sewer receipts.

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**7. DEBT (continued)**

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

	<u>GMAC Sewer</u>	<u>GMAC Water</u>	<u>USDA Water</u>
Year ending December 31:			
2002	45,350	9,150	31,860
2003	45,300	9,950	31,500
2004	45,200	9,700	32,140
2005	45,050	9,450	31,720
2006	44,850	9,700	31,300
2007 - 2011	224,200	9,450	158,420
2012 - 2016	224,050	9,200	157,660
2017 - 2021	44,100	47,750	159,800
2022 - 2026	0	47,350	158,800
2027 - 2030	0	9,450	126,980
Total	<u>\$718,100</u>	<u>\$171,150</u>	<u>\$920,180</u>

**8. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 4.5% of their wages. The Village contributed an amount equal to 17.55% of participants' gross salaries for 2001. The Village has paid all contributions required through December 31, 2001.

**9. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2001 and 2000 generally protect against individual losses exceeding \$100,000 (\$150,000 for policies issued after April 1, 2000).

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**9. RISK MANAGEMENT (continued)**

**Risk Pool Membership (continued)**

Property coverage contracts protect against losses, subject to deductible of \$50,000 per occurrence, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool's audited financial statements (audited by others auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained (deficit) at December 31 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Assets	\$3,354,251	\$2,958,827
Liabilities	<u>(4,851,866)</u>	<u>(3,863,373)</u>
Retained (deficit) earnings	(\$1,497,615)	(\$904,546)

**10. REPLACEMENT EQUIPMENT RESERVE FUND**

Village Ordinance, Article VI, Section 607 states, the sum of money designed annually for replacement costs as established by the United States Environmental Protection Agency rules and regulations shall be deducted from the revenues resulting from user charges as provided for in Section 601- and deposited in a "Replacement Fund," to be used or accumulated for obtaining repair parts, replacing equipment, accessories, or appurtenances during the useful life of the Sewage Disposal System which are necessary to maintain or regain the capacity and performance for which such equipment and plant were designed and constructed. The Village maintains an annual required reserve of \$20,000 for the purpose of maintaining the required "Replacement Fund". The Village's reserve balance is \$100,000, recorded in the Sewer Improvement Fund, classified as an enterprise fund in the accompanying statements.

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**VILLAGE OF RICHWOOD  
UNION COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

Federal Grantor/ Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass Through Entity Number	Disbursements
<u>U.S. Department of Housing and Urban Development</u>			
<i>Pass through State Department of Development:</i>			
Community Development Block Grant/State's Program <i>Pass through Union County</i>	14.228	CW-00-364-1	\$331,400
Community Development Block Grant/State's Program	14.228	BF-99073-1	<u>63,500</u>
Total U.S. Department of Housing and Urban Development			394,900
 <u>U.S. Department of Justice</u>			
Pass through Ohio Department of Criminal Justice Services			
Cops Fast Grant	16.710	1995CFWX3863 1999SBWX0006	<u>17,932</u>
Total Federal Financial Assistance			<u>\$412,832</u>

The accompanying notes to this schedule are an integral part of this schedule.

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FEDERAL AWARD EXPENDITURES  
DECEMBER 31, 2001**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's Federal Award Programs. The Schedule has been prepared on the cash basis of accounting.



STATE OF OHIO  
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Richwood  
Union County  
286 South Franklin Street  
Richwood, Ohio 43344

To the Village Council:

We have audited the accompanying financial statements of the Village of Richwood, Union County, Ohio, (the Village) as of and for the year ended December 31, 2001, and have issued our report thereon dated September 20, 2002, wherein we noted the Village reclassified certain funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30680-001 through 2001-30680-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 20, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-30680-004,

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 20, 2002.

This report is intended solely for the information and use of management, the Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

**JIM PETRO**  
Auditor of State

September 20, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of Richwood  
Union County  
286 S. Franklin Street  
Richwood, Ohio 43344

We have audited the compliance of Village of Richwood, Union County, Ohio, (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

**Compliance**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

**Internal Control Over Compliance**

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Village of Richwood  
Union County  
Report on Compliance with Requirements Applicable to Each Major  
Federal Program and Internal Control Over Compliance in Accordance  
with OMB Circular A-133  
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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low Report on Compliance with requirements applicable to each major federal program and Internal Control over Compliance in accordance with OMB Circular A-133 level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**JIM PETRO**  
Auditor of State

September 20, 2002

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2001**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Community Development Block Grant C.F. D. A # 14.228
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

<b>Finding Number</b>	2001-30680-001
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Ohio Rev. Code Section 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides an exception to the above requirement:

Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the fiscal officer may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council.

VILLAGE OF RICHWOOD  
UNION COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2001  
(Continued)

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

<b>Finding Number</b>	2001-30680-001 (Continued)
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Ninety percent of the expenditure transactions tested which were subject to prior certification requirements were not certified by the fiscal officer until the time of payment. The fiscal officer did not issue "Then and Now Certificates" for these payments. No prior certification of funds by the fiscal officer could result in overspending funds and result in a possible deficit.

We recommend the fiscal officer certify that funds are available prior to incurring the expenditure or utilize the "Then and Now" certificates. In addition, it is recommended the fiscal officer routinely compare total appropriations to total expenditures for compliance requirements.

<b>Finding Number</b>	2001-30680-002
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**FINDING FOR RECOVERY REPAID UNDER AUDIT  
Insurance Policy**

The Village's personnel policy for insurance states: (1) the Village shall provide basic health insurance to full time employees for single and family coverage, (2) elected and appointed officials, may at their own expense and at no cost to the Village, participate in insurance policies, provided the insurance company agrees. On expiration of term of office and/or appointment, such personal policies may be continued, at their own expense and at no cost to the Village, provided the insurance company agrees and (3) persons participating in the Village health benefits plan as provided above must pay the cost of the monthly premium to the Village by the end of the month preceding the month the premium is due. The Village is under no obligation to pay the monthly premium for any such participants and shall not be liable in the event of termination of health benefits coverage for lack of premium payment.

The Village is not adhering to the personnel policy regarding insurance in Chapter 39.10 of the Village's Employee personnel manual. The Village has an ex-employee and a spouse of an ex-employee in which the Village pays the monthly insurance premiums. These two individuals are not reimbursing the Village until the end of the calendar year, the ex-employee, or whenever the individual has the money to reimburse the Village, the spouse. The Village switched insurance agents in June of 2002 and has been advised by the agent to stop paying the premiums of these individuals. As of July 1, 2002, the Village no longer carries these individuals on their insurance policy.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against, William Nibert, the Mayor, Dennis Lattimer, former Village Administrator, Donald Jolliff, Fiscal Officer, Jeff Evans, ex-Village Solicitor, and Marlene Reece, spouse of an ex-employee, in the amounts of six thousand six hundred and eight three (\$6,683) and six hundred eight one (\$681), in favor of the General fund.

On September 12, 2002 and September 16, 2002, Jeff Evans, ex-Solicitor and Marlene Reece, spouse of an ex-employee made full restitution of the finding amounts of \$6,683 and \$681, respectively.

VILLAGE OF RICHWOOD  
UNION COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2001  
(Continued)

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

<b>Finding Number</b>	2001-30680-003
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**FINDING FOR RECOVERY REPAID UNDER AUDIT  
Unconstitutional Lending of Credit**

The Village issued a loan to Allen Thompson, a current employee of the Village, on December 13, 2001, in the amount of \$2,400. This loan was made without proper authority and is contrary to Ohio Constition, art. VIII, section 6. The Village deducts \$50 each bi-weekly payroll from Mr. Thompson's payroll check to recover the money owed to them. As of September 13, 2002, the Village has collected approximately \$900 from Mr. Thompson. As such, Mr. Thompson owes approximately \$1,500 to the Village as of September 19, 2002.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against, William Nibert, the Mayor, Dennis Lattimer, former Village Administrator, Donald Jolliff, Fiscal Officer, and Allen Thompson, Village employee, in the amounts of one thousand five hundred dollars (\$1,500), in favor of the General fund.

On September 19, 2002, Allen Thompson, employee, made full restitution of the finding amount of \$1,500.

<b>Finding Number</b>	2001-30680-004
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Taxes and intergovernmental receipts are to be posted as directed by the County Auditor and the Uniform Accounting Network System (UAN). The settlements from the County indicate the line items to which the revenue is to be allocated. The UAN system has established line items to be utilized for these postings.

Taxes and intergovernmental receipts are being posted to various line items, some of which changed the classification of the revenue. This situation caused numerous reclassifications to be made.

We recommend the Village post taxes and intergovernmental receipts in accordance with the provisions of the County Auditor and UAN system. This will help ensure that all financial activity is properly reported both to the public and Council.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-30680-001	ORC-5705.41(B) expenditures exceeding appropriations.	No	Partially Corrected, carried to management letter.
2000-30680-002	ORC 5705.39 total appropriation exceeds estimated resources	No	Partially Corrected, carried to management letter.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**VILLAGE OF RICHWOOD**

**UNION 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 7, 2002**