



Dave Yost • Auditor of State

VILLAGE OF RICHMOND
JEFFERSON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Richmond
Jefferson County
PO Box 335
Richmond, Ohio 43944

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Richmond, Jefferson County, (the "Village") as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Richmond, Jefferson County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Village of Richmond adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 28, 2013

**VILLAGE OF RICHMOND
JEFFERSON COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$18,080	\$11,535			\$29,615
Intergovernmental	20,292	29,053		97,547	146,892
Charges for Services	7,840				7,840
Fines, Licenses and Permits	275				275
Earnings on Investments	50	6			56
Miscellaneous	105				105
<i>Total Cash Receipts</i>	<u>46,642</u>	<u>40,594</u>		<u>97,547</u>	<u>184,783</u>
Cash Disbursements					
Current:					
Security of Persons and Property	7,778	49,681			57,459
Leisure Time Activities	13,100				13,100
Community Environment	1,000				1,000
Transportation	14,439	34,476			48,915
General Government	34,454	108			34,562
Capital Outlay				97,547	97,547
Debt Service:					
Principal Retirement			5,894		5,894
<i>Total Cash Disbursements</i>	<u>70,771</u>	<u>84,265</u>	<u>5,894</u>	<u>97,547</u>	<u>258,477</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(24,129)</u>	<u>(43,671)</u>	<u>(5,894)</u>		<u>(73,694)</u>
Other Financing Receipts (Disbursements)					
Transfers In		37,022	5,200		42,222
Transfers Out	(42,222)				(42,222)
Other Financing Sources	531				531
Other Financing Uses	(6,193)				(6,193)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(47,884)</u>	<u>37,022</u>	<u>5,200</u>		<u>(5,662)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(72,013)</u>	<u>(6,649)</u>	<u>(694)</u>		<u>(79,356)</u>
<i>Fund Cash Balances, January 1</i>	<u>128,050</u>	<u>25,913</u>	<u>3,200</u>		<u>157,163</u>
Fund Cash Balances, December 31					
Nonspendable					0
Restricted		19,264	2,506		21,770
Committed					0
Assigned					0
Unassigned (Deficit)	56,037				56,037
<i>Fund Cash Balances, December 31</i>	<u>\$56,037</u>	<u>\$19,264</u>	<u>\$2,506</u>		<u>\$77,807</u>

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

**VILLAGE OF RICHMOND
JEFFERSON COUNTY**

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

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$71,654
<i>Total Operating Cash Receipts</i>	<i>71,654</i>
Operating Cash Disbursements	
Personal Services	21,897
Employee Fringe Benefits	4,708
Contractual Services	44,818
Supplies and Materials	5,274
<i>Total Operating Cash Disbursements</i>	<i>76,697</i>
<i>Operating Income (Loss)</i>	<i>(5,043)</i>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	1,452
Other Financing Uses	(4,200)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(2,748)</i>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<i>(7,791)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(7,791)</i>
<i>Fund Cash Balances, January 1</i>	<i>160,193</i>
<i>Fund Cash Balances, December 31</i>	<i>\$152,402</i>

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

**VILLAGE OF RICHMOND
JEFFERSON COUNTY**

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

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$24,700	\$13,559		\$38,259
Intergovernmental	27,568	26,587		54,155
Charges for Services	7,200			7,200
Fines, Licenses and Permits	462			462
Earnings on Investments	1,145	12		1,157
Miscellaneous	1,084	240		1,324
<i>Total Cash Receipts</i>	<u>62,159</u>	<u>40,398</u>		<u>102,557</u>
Cash Disbursements				
Current:				
Security of Persons and Property	7,959	15,218		23,177
Leisure Time Activities	17,150			17,150
Community Environment	1,000			1,000
General Government	29,325	19,514		48,839
<i>Total Cash Disbursements</i>	<u>55,434</u>	<u>34,732</u>		<u>90,166</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,725</u>	<u>5,666</u>		<u>12,391</u>
Other Financing Receipts (Disbursements)				
Transfers In		5,500	3,200	8,700
Transfers Out	(8,700)			(8,700)
Other Financing Sources	12			12
Other Financing Uses	(130)			(130)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(8,818)</u>	<u>5,500</u>	<u>3,200</u>	<u>(118)</u>
Special Item	2,000			2,000
<i>Net Change in Fund Cash Balances</i>	(93)	11,166	3,200	14,273
<i>Fund Cash Balances, January 1</i>	<u>128,143</u>	<u>14,747</u>		<u>142,890</u>
Fund Cash Balances, December 31				
Nonspendable				
Restricted		25,913	3,200	29,113
Committed				
Assigned				
Unassigned (Deficit)	128,050			128,050
<i>Fund Cash Balances, December 31</i>	<u>\$128,050</u>	<u>\$25,913</u>	<u>\$3,200</u>	<u>\$157,163</u>

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

**VILLAGE OF RICHMOND
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$48,542
<i>Total Operating Cash Receipts</i>	48,542
Operating Cash Disbursements	
Personal Services	13,047
Employee Fringe Benefits	1,285
Contractual Services	24,675
Supplies and Materials	3,978
<i>Total Operating Cash Disbursements</i>	42,985
<i>Operating Income (Loss)</i>	5,557
Non-Operating Receipts (Disbursements)	
Earnings on Investments (proprietary funds only)	1,115
Miscellaneous Receipts	2,010
<i>Total Non-Operating Receipts (Disbursements)</i>	3,125
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	8,682
<i>Net Change in Fund Cash Balances</i>	8,682
<i>Fund Cash Balances, January 1</i>	151,511
<i>Fund Cash Balances, December 31</i>	\$160,193

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

**VILLAGE OF RICHMOND
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Richmond, Jefferson County (the "Village") as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water utilities, park operations, and police services. The Village contracts with Richmond Volunteer Fire Department for fire protection services and ambulance services.

The Village participates in the Ohio Plan Risk Management (OPRM) public entity risk pool. Note 7 to the financial statements provides additional information for these entities. This organization is:

Public Entity Risk Pool:

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members").

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

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:

**VILLAGE OF RICHMOND
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Police Levy Fund – This fund receives tax monies to fund police services.

3. Debt Service Funds

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

Debt Service Fund – This fund is used to retire village debt.

4. Capital Project Funds

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

Issue II Fund – This fund accounts for street paving improvements made on behalf of the village.

5. 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:

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

VILLAGE OF RICHMOND
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

Beginning in 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

**VILLAGE OF RICHMOND
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

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

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

G. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits and Investments

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

	<u>2012</u>	<u>2011</u>
Demand deposits	\$130,094	\$116,241
Certificates of deposit	100,115	201,115
Total deposits	<u>\$230,209</u>	<u>\$317,356</u>

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

**VILLAGE OF RICHMOND
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,537	\$47,173	\$8,636
Special Revenue	67,306	77,616	10,310
Debt Service	5,200	5,200	0
Capital Projects	97,547	97,547	0
Enterprise	50,000	73,106	23,106
Total	\$258,590	\$300,642	\$42,052

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,303	\$119,186	(\$43,883)
Special Revenue	50,503	84,265	(33,762)
Debt Service	0	5,894	(5,894)
Capital Projects	97,547	97,547	0
Enterprise	73,475	80,897	(7,422)
Total	\$296,828	\$387,789	(\$90,961)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$64,171	\$64,171
Special Revenue	0	45,898	45,898
Debt Service	0	3,200	3,200
Enterprise	0	51,667	51,667
Total	\$0	\$164,936	\$164,936

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$64,264	(\$64,264)
Special Revenue	0	34,732	(34,732)
Debt Service	0	0	0
Enterprise	0	42,985	(42,985)
Total	\$0	\$141,981	(\$141,981)

**VILLAGE OF RICHMOND
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds in 2011 and in the General, Special Revenue and Debt Services funds in 2012. Also contrary to Ohio law, the Village did not certify any resources to the county Auditor for 2011.

4. Property Tax

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

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

5. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$35,364	0%
Total	\$35,364	

The Ohio Water Development Authority (OWDA) loan relates to a sewer project planning loan. The Village will repay the loans in semiannual installments of \$2,947, including interest, over 7 years. The Village's taxing authority collateralized the loan.

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

Year ending December 31:	OWDA Loan
2013	\$5,894
2014	5,894
2015	5,894
2016	5,894
2017	5,894
2018	5,894
Total	\$35,364

6. Retirement Systems

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF RICHMOND
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

7. Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

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Dave Yost • Auditor of State

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

Village of Richmond
Jefferson County
PO Box 335
Richmond, Ohio 43944

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Richmond, Jefferson County, (the "Village") as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated October 28, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1. We also noted that the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-004 and 2012-005 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 2012-001 through 2012-003 and 2012-005

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 28, 2013

**VILLAGE OF RICHMOND
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the clerk of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's clerk. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a clerk's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

1. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the clerk'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 Village Council 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 \$3,000 the clerk may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.
2. Blanket Certificate – Clerks may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the clerk for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the amount against the applicable appropriation accounts for 100% of 2012 and 2011 tested expenditures. This was not only due to the Purchase Order date not preceding the invoice date but was also due to all Purchase Orders lacking the certification approval of the Clerk/Treasurer. The Village did not utilize the certification exceptions described above. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

**FINDING NUMBER 2012-001
 (Continued)**

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village should obtain approved purchase orders, which include the clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making a commitment. When prior certification is not possible, "then and now" certification should be used.

The clerk/treasurer should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code section 5705.41(D) requires authorizing disbursements. The clerk/treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The clerk/treasurer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2012-002

Noncompliance Citation

Ohio Revised Code Section 5705.38 requires, in part, that on or about the first day of the fiscal year an appropriation measure be passed. **Ohio Revised Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village Council did not adopt an appropriation measure for 2011 and expenditures are limited by the appropriations established for each fund; therefore, all expenditures made by the Village in 2011 (\$141,981) were not in compliance with the Ohio Revised Code.

The Village Council did adopt an appropriation measure for 2012. However, we noted instances where expenditures exceeded appropriations in the following table.

Fund Type	Appropriations	Expenditures	Variance
General	\$75,303	\$112,993	(\$37,690)
Special Revenue	\$50,504	\$84,266	(\$33,762)
Debt Service	\$0	\$5,894	(\$5,894)
Enterprise	\$73,475	\$80,897	(\$7,422)

Failure to pass an appropriation measure or amend appropriations, which serves as a tool by which expenditures can be monitored, could result in overspending.

The Village should pass an appropriation measure and any supplemental appropriations as required so that expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained. Expenditures should be limited to Council approved appropriations for each fund.

FINDING NUMBER 2012-003

Noncompliance Citation

Ohio Revised Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officer of each subdivision shall certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Clerk/Treasurer did not file a certificate showing the total amount from all sources available for expenditures and the balances existing at the end of the year with the county auditor for 2011. Failure to file the certificate could result in appropriations exceeding the amounts of available resources.

The Village Clerk/Treasurer should certify to the county auditor the total amount from all sources to establish limits for Council approved appropriations.

FINDING NUMBER 2012-004

Material Weakness

The Village did not properly post and classify all receipts. In 2011, an auto registration distribution from the County Auditor was deposited in the bank and never recorded on the books of the Village. This contributed to the Village books not being in balance with depository balances as of December 31, 2011. An audit adjustment was prepared to bring the books in balance with the depository and this was included in the audit adjustment and is reflected in the accompanying financial statements. In addition, in 2011, Homestead and Rollback and Tangible Personal Property (TPP) reimbursements were recorded as taxes rather than intergovernmental revenue on the Village books. These errors were posted to a Summary of Unadjusted Differences. The Homestead and Rollback amount was reclassified in the General Fund and the reclassification is reflected in the accompanying financial statements.

In 2012, the Village failed to record Issue II funds paid on their behalf. An audit adjustment was prepared to properly reflect this activity in the Village financials and is reflected in the accompanying financial statements. In addition, in 2012, one TPP reimbursement was recorded as taxes rather than intergovernmental revenue. This amount was posted to a Summary of Unadjusted differences and it was determined it was not material to adjust.

The following table summarizes audit adjustments and reclassifications:

Fund	Receipt Type	Amount
2011 Adjustment:		
Street M&R	Auto Registration	\$222
2011 Reclassification:		
General	Homestead/Rollback	\$3,352
2012 Adjustment:		
Grant Construction	Issue II	\$97,547

The Village should review the current procedures in process for recording receipts. They should also review the UAN chart of accounts to determine the proper accounts codes in which to record various types of revenue. They should take the necessary steps to ensure that all revenue is properly recorded on the Village books.

FINDING NUMBER 2012-005

Noncompliance and Material Weakness

Ohio Administrative Code Section 117-2-02(B)(1) and (2) requires the Village's internal controls to reasonably assure that recorded transactions have occurred and are not fictitious and that transactions that should be included in the financial records are included.

Accurate monthly bank to book reconciliations could not be prepared in 2011 as several transactions were not recorded in the Village's accounting records. In order to present accurate cash reconciliations and accurate financial statements, the following adjustments are reflected in the accompanying financial statements.

2011

Fund	Revenue	Expenditures
General	\$1,356	\$2,106
Street Construction Maintenance & Repair	\$222	
Permissive MVL	\$303	
Water Operating	\$1,464	

The Village Clerk/Treasurer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances between the bank balance and the book balance should be investigated, documented and corrected, if appropriate. Failure to consistently post all transactions increases the possibility that the Village will not be able to identify assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Village Clerk/Treasurer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. In addition, the Village Council should review the monthly cash reconciliations, the support for the reconciliations and document the reviews.

**VILLAGE OF RICHMOND
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 and 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-VRJC-01	Ohio Revised Code 5705.41 (D)	No	Cited again as 2012-001
2010-VRJC-02	Ohio Revised Code 5705.41 (B)	No	Cited again as 2012-002
2010-VRJC-03	Ohio Revised Code 5705.38 (A)	No	Cited again as 2012-002
2010-VRJC-04	Appropriations were not accurately posted to the ledgers	No	Cited in the management letter
2010-VRJC-05	Ohio Administrative Code 117-2-02(A)	No	Cited again as 2012-004
2010-VRJC-06	Monthly reconciliations were not accurate	No	Cited again as 2012-005

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Dave Yost • Auditor of State

VILLAGE OF RICHMOND

JEFFERSON 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 26, 2013