

**VILLAGE OF RIDGEWAY
HARDIN COUNTY
Regular Audit
For the Years Ended December 31, 2012 and 2011**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of Ridgeway
103 Main Street
Ridgeway, Ohio 43345

We have reviewed the *Independent Auditors' Report* of the Village of Ridgeway, Hardin County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Ridgeway is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

October 17, 2013

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**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

July 19, 2013

Village of Ridgeway
Hardin County
103 Main Street
Ridgeway, Ohio 43345

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Village of Ridgeway**, Hardin 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 fair presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1B 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.

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B 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 or cash flows 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 Ridgeway, Hardin 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 permits, described in Note 1B.

Emphasis of Matter

As discussed in Note 1F to the financial statements, during 2011 the Village 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 July 19, 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.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$ 4,789	\$ 6,324	\$ -	\$ -	\$ 11,113
Municipal Income Tax	28,342	-	-	-	28,342
Intergovernmental	6,792	15,575	-	-	22,367
Charges for Services	-	3,700	-	-	3,700
Fines, Licenses, and Permits	1,652	-	-	-	1,652
Earnings on Investments	80	349	-	-	429
Miscellaneous	162	890	-	-	1,052
Total Cash Receipts	<u>41,817</u>	<u>26,838</u>	<u>-</u>	<u>-</u>	<u>68,655</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	13,718	12,700	-	-	26,418
Public Health Services	5,205	-	-	-	5,205
Basic Utilities	1,653	-	-	-	1,653
Transportation	-	26,607	-	-	26,607
General Government	25,006	973	-	-	25,979
Total Cash Disbursements	<u>45,582</u>	<u>40,280</u>	<u>-</u>	<u>-</u>	<u>85,862</u>
Excess of Receipts Over(Under) Disbursements	<u>(3,765)</u>	<u>(13,442)</u>	<u>-</u>	<u>-</u>	<u>(17,207)</u>
Other Financing Receipts(Disbursements):					
Sale of Capital Assets	-	1,500	-	-	1,500
Transfers-In	-	1,500	-	-	1,500
Transfers-Out	(1,500)	-	-	-	(1,500)
Other Financing Sources	2,836	-	-	-	2,836
Total Other Financing Receipts(Disbursements)	<u>1,336</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>4,336</u>
Net Change in Fund Cash Balances	(2,429)	(10,442)	-	-	(12,871)
Fund Cash Balances, January 1	<u>31,006</u>	<u>128,231</u>	<u>(1,787)</u>	<u>313</u>	<u>157,763</u>
Fund Cash Balances, December 31					
Restricted	-	117,789	-	313	118,102
Unassigned (Deficit)	<u>28,577</u>	<u>-</u>	<u>(1,787)</u>	<u>-</u>	<u>26,790</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 28,577</u>	<u>\$ 117,789</u>	<u>\$ (1,787)</u>	<u>\$ 313</u>	<u>\$ 144,892</u>

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

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

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

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 107,099
Total Operating Cash Receipts	107,099
Operating Cash Disbursements	
Personal Services	7,132
Employee Fringe Benefits	571
Contractual Services	35,674
Supplies and Materials	9,339
Other	1,401
	148,117
Total Operating Cash Disbursements	54,117
Operating Income	52,982
Non-Operating Cash Receipts (Disbursements)	
Intergovernmental	82,381
Principal Retirement	(11,400)
Interest and Other Fiscal Charges	(43,080)
	27,901
Total Non-Operating Cash Receipts (Disbursements)	27,901
Net Change in Fund Cash Balance	80,883
Fund Cash Balance, January 1	68,024
Fund Cash Balance, December 31	\$ 148,907

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

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$ 4,692	\$ 6,432	\$ -	\$ -	\$ 11,124
Municipal Income Tax	30,202	-	-	-	30,202
Intergovernmental	8,838	297,207	-	-	306,045
Charges for Services	163	2,899	-	-	3,062
Fines, Licenses, and Permits	1,608	-	-	-	1,608
Earnings on Investments	406	375	-	2	783
Miscellaneous	716	1,151	-	-	1,867
Total Cash Receipts	<u>46,625</u>	<u>308,064</u>	<u>-</u>	<u>2</u>	<u>354,691</u>
Cash Disbursements					
Current:					
Security of Persons and Property	8,919	27,344	-	-	36,263
Public Health Services	6,091	-	-	-	6,091
Basic Utilities	1,268	-	-	-	1,268
Transportation	-	7,717	-	-	7,717
General Government	34,508	1,085	-	-	35,593
Capital Outlay	6,867	267,919	-	-	274,786
Total Cash Disbursements	<u>57,653</u>	<u>304,065</u>	<u>-</u>	<u>-</u>	<u>361,718</u>
Excess of Receipts Over (Under) Disbursements	<u>(11,028)</u>	<u>3,999</u>	<u>-</u>	<u>2</u>	<u>(7,027)</u>
Other Financing Receipts(Disbursements)					
Other Financing Sources	609	-	-	-	609
Total Other Financing Receipts (Disbursements)	<u>609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>609</u>
Net Change in Fund Cash Balances	(10,419)	3,999	-	2	(6,418)
Fund Cash Balances, January 1	41,425	124,232	(1,787)	311	164,181
Fund Cash Balances, December 31					
Restricted	-	128,231	-	313	128,544
Unassigned (Deficit)	31,006	-	(1,787)	-	29,219
Fund Cash Balances, December 31	<u>\$ 31,006</u>	<u>\$ 128,231</u>	<u>\$ (1,787)</u>	<u>\$ 313</u>	<u>\$ 157,763</u>

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

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

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

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 84,936
Total Operating Cash Receipts	84,936
Operating Cash Disbursements	
Personal Services	6,546
Employee Fringe Benefits	1,131
Contractual Services	46,923
Supplies and Materials	7,047
Other	143
Total Operating Cash Disbursements	61,790
Operating Income	23,146
Non-Operating Cash (Disbursement)	
Interest and Other Fiscal Charges	(37,816)
Total Non-Operating Cash (Disbursement)	(37,816)
Net Change in Fund Cash Balance	(14,670)
Fund Cash Balance, January 1	82,694
Fund Cash Balance, December 31	\$ 68,024

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

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 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 Ridgeway, Hardin County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street maintenance and cemetery maintenance. The Village contracts with Hardin County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department. The Village of Ridgeway contracts with and provides the Village of Mount Victory sewer processing services.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Village maintains its cash deposits in an interest-bearing checking account, savings account and certificate of deposits.

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

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.

State Highway Fund – This fund received gasoline tax and motor vehicle tax money for the state’s share of the cost of constructing, widening, maintaining, and reconstructing the state highways.

Fire Apparatus Fund – This fund receives property tax money to provide fire protection for the Village residents.

3. 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:

Sewer Pump Station Construction Fund – This fund receives proceeds of United State Department of Agriculture (USDA) bonds. The proceeds are being used to construct a new sewer pump station.

4. Permanent Funds

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

Cemetery Endowment Fund – Bailey Trust – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the maintenance and upkeep of the Village’s cemetery.

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:

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

Debt Service Fund – This fund was established for the payment of principal and interest on bonds sold to build the sanitary sewer system.

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

5. Enterprise Funds (Continued)

Debt Reserve Fund – This fund was established to set aside \$52,540 for the purpose of paying the cost of repairing or replacing any damage to the sanitary sewer system. A monthly transfer of \$438 is to be made until the set aside amount is reached. Whenever disbursements are made from the fund, monthly payments shall be made until the fund accumulates an amount equal to the Minimum Reserve.

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, and 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.

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

F. Fund Balance

In 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which had no effect on fund balances. Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Balance (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant and Equipment

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

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

2. EQUITY IN POOLED DEPOSITS

The Village maintains a deposit and investment 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:

	2012	2011
Demand deposits	\$ 262,365	\$ 194,463
Certificate of deposit	31,434	31,324
Total deposits	\$ 293,799	\$ 225,787

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

3. BUDGETARY ACTIVITY

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

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 56,111	\$ 44,653	\$ (11,458)
Special Revenue	121,348	29,838	(91,510)
Permanent	5	-	(5)
Enterprise	228,100	189,480	(38,620)
Total	\$ 405,564	\$ 263,971	\$ (141,593)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 58,290	\$ 47,082	\$ 11,208
Special Revenue	104,650	40,280	64,370
Enterprise	143,390	108,597	34,793
Total	\$ 306,330	\$ 195,959	\$ 110,371

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 54,666	\$ 47,234	\$ (7,432)
Special Revenue	390,037	308,064	(81,973)
Permanent	5	2	(3)
Enterprise	98,500	84,936	(13,564)
Total	\$ 543,208	\$ 440,236	\$ (102,972)

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

3. BUDGETARY ACTIVITY (CONTINUED)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 76,978	\$ 57,653	\$ 19,325
Special Revenue	383,495	304,065	79,430
Enterprise	69,816	99,606	(29,790)
Total	\$ 530,289	\$ 461,324	\$ 68,965

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Enterprise Sewer Operating Fund by \$29,790 for the year ended December 31, 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.

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of .005% 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.

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

6. DEBT

Debt outstanding at December 31, 2012 was as follows:

Description of Debt Issuance	Interest Rate	Principal
USDA Sanitary Sewer System Mortgage Revenue Bonds, Series 2010	4%	\$1,015,600
Total		<u><u>\$1,015,600</u></u>

During 2010, the Village entered into a loan agreement with the United States Department of Agriculture (USDA) for the expansion of the Villages sewer pump station mandated by the Ohio Environmental Protection Agency. The Village will repay the loan in annual installments of principal and interest over 40 years. The Village has agreed to set utility rates sufficient to cover debt service requirements.

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

Year ending December 31, 2012	USDA Loan Principal	USDA Loan Interest	Total
2013	\$ 11,800	\$ 40,624	\$ 52,424
2014	12,300	40,152	52,452
2015	12,700	39,660	52,360
2016	13,300	39,152	52,452
2017	13,800	38,620	52,420
2018-2022	77,900	184,348	262,248
2023-2027	94,700	167,476	262,176
2028-2032	115,300	146,960	262,260
2033-2037	140,200	121,988	262,188
2038-2042	170,500	91,612	262,112
2043-2047	207,600	54,660	262,260
2048-2050	145,500	11,792	157,292
Total	<u><u>\$ 1,015,600</u></u>	<u><u>\$ 977,044</u></u>	<u><u>\$ 1,992,644</u></u>

7. ENTERPRISE DEBT SERVICE TRUST FUNDS

The Bond agreement contained a covenant requiring the Village to establish the following funds: enterprise debt service fund, enterprise debt service reserve fund, and enterprise surplus fund. The Village has established the enterprise debt service and enterprise debt service reserve funds. At December 31, 2012 the enterprise debt service fund and enterprise debt service reserve fund held \$23,697 and \$13,327 respectively in Village assets.

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

8. 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 benefits, which include postretirement healthcare and survivor and disability benefits.

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.

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

10. CONTINGENT LIABILITIES

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

Perry & Associates

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

July 19, 2013

Village of Ridgeway
Hardin County
103 Main Street
Ridgeway, Ohio 43345

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 Ridgeway**, Hardin County, Ohio, (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 July 19, 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 and has adopted Governmental Accounting Standards Board Statement No. 54.

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 audit findings we identified certain deficiencies in internal control over financial reporting, that we considered to be material weaknesses and other deficiencies were considered to be 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 2012-001 and 2012-002 as described in the accompanying schedule of audit findings to be material weaknesses.

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 2012-003 through 2012-005 described in the accompanying schedule of audit 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 identified in the accompanying schedule of audit findings as items 2012-006 and 2012-2007.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 19, 2013.

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.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED 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

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2012 and 2011, several receipts and disbursements were not posted into accurate classifications based on the source of the receipt or disbursements. The following posting errors were noted:

- Homestead and Rollback reimbursement receipts were posted as Property Taxes instead of Intergovernmental receipts.
- Sewer receipts were recorded as Special Assessments instead of Charges for Services.
- The expenditure for the purchase of a Fire Truck was recorded as Security of Persons and Property instead of Capital Outlay.
- Debt payments were not properly allocated between principal and interest.
- General Government disbursements were reported as Interest and Other Fiscal Charges.
- Grant proceeds were recorded as Special Assessments instead of Intergovernmental.
- Beginning fund balances were restated.

Not posting receipts and disbursements accurately resulted in the financial statements requiring several reclassifications and adjustments. The financial statements reflect all reclassifications and adjustments. Village management agrees with the reclassifications and adjustments, and all adjustments have been made to the Village's accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2012-002

Material Weakness

Bank Reconciliations

Monthly bank reconciliations should be completed by the Fiscal Officer. All amounts on the bank to book reconciliation should be substantiated by supporting documentation without the use of the "Other Adjusting Factors" line item. The Board member should review and initial the bank reconciliation at the monthly Board meeting.

The Fiscal Officer performs monthly bank reconciliations using the Uniform Accounting System (UAN). However the reconciliations did not tie to the actual reconciled checking account, savings, and certificates of deposit by \$1,710 in 2012 and \$1,976 in 2011 without the use of the "Other Adjusting Factors" line item.

**VILLAGE OF RIDGWAY
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-002 (Continued)

Material Weakness (Continued)

Bank Reconciliations (Continued)

Board members reviewed the reconciliations as indicated by their initials without asking what the Other Adjusting Factors line item contained.

During the testing of the Village’s revenues and expenditures, there were errors found which affected the Village’s bank reconciliation. After factoring in the effects of these errors on the Village’s bank reconciliations during the fiscal years ending 2012 and 2011 there were minimal amounts in the “Other Adjusting Factors” left unexplained.

We recommend the Fiscal Officer complete the bank reconciliations without the assistance of the “Other Adjusting Factors” line item, unless what makes up that line item can be identified and substantiated with supporting documentation. Additionally the Board Members should only sign off on the reconciliations once they have reviewed the documents which support the amounts on the reconciliation.

Management’s Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2012-003

Significant Deficiency

Advance Not Temporary

Advances are temporary loans to other funds which are ultimately going to be repaid. Advances must be made from a less restricted fund to a more restricted fund. The Village Council must pass a resolution authorizing an advance. The resolution should include, at a minimum, the following information: 1) amount of the advance; 2) name of the fund loaning the money and the name of the fund receiving the money; and, 3) an estimated date for repayment. The intent of a cash advance is to require repayment within the current year.

In 2005, the Village Clerk-Treasurer purchased a computer, printer, billing software program, and preprinted statements totaling \$1,490 to be used to prepare sewer fund billing statements and to record sewer fund receipts. The money for these items was advanced from the General Fund. While there was approval for the purchase of the items, there was not an indication at that time that a resolution was passed to advance these monies from the General Fund for items for the Enterprise Fund. The advance does not appear to have been repaid since that time.

We recommend the Village determine whether or not the advance will be repaid. It is determined the advance will not be repaid, the advance should be converted to a transfer as authorized in O.R.C. Sections 5705.12 to 5705.16 through a formal resolution.

Management’s Response – We did not receive a response from officials to this finding.

**VILLAGE OF RIDGWAY
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-004

Significant Deficiency

Posting Estimated Revenues and Appropriations

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in varying amounts posted to the accounting system and information available to the Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts and appropriations as certified by the County Budget Commission.

We recommend the Village implement procedures to ensure estimated receipts and appropriations are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

Management's Response – We did not receive a response from management to this finding.

FINDING NUMBER 2012-005

Significant Deficiency

Monitoring of Delinquent Accounts and Adjustment Reports

The Board was not presented with and did not review any adjustment reports relating to customer billing. Additionally the Board only receives a delinquency report August of each year. This could result in an increased risk of the Village not receiving monies owed for sewer utilities. Also, inappropriate adjustments are more likely to occur without proper approval from the Board prior to an adjustment being made.

We recommend the Board review and approve all adjustments to the bill payment reports and monitor delinquent collection reports on a monthly basis.

Management's Response – We did not receive a response from management to this finding.

**VILLAGE OF RIDGWAY
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-006

Noncompliance

Revenue Bond Requirement Terms

The Village issued Sewer Mortgage Revenue Bonds for the improvement of the Village's Sewer Operating System. The loan agreement requires the Village establish three separate funds (Enterprise Debt Service Fund, Enterprise Debt Service Reserve Fund and an Enterprise Surplus Fund). The Village's management is supposed to deposit money into the funds in the following manner. Each month 1/12 of interest is to be set aside in the Enterprise Debt Service Fund; \$437.83 per month is to be placed in an Enterprise Debt Service Reserve Fund; and the Village is to establish a monetary threshold to which the sewer system will need to operate. Any money in excess of this threshold after funding the other funds is to be placed into the Enterprise Surplus Fund.

At December 31, 2012 only one of these funds had been set up (Enterprise Debt Service Reserve Fund) and the appropriate funds had been transferred to this fund. The other two funds have not been established. An adjustment for \$23,697 has been made to the Village's financial statements to adequately fund the Enterprise Debt Service Fund at December 31, 2012. The Enterprise Surplus Fund has not been funded as of the end of the audit period.

The Village should establish the funds indicated in the debt agreement and transfer the appropriate amount to bring the Village current as of the date of this audit report. Procedures should be established to ensure the necessary monies are placed into these funds each month as outlined in the debt agreement.

Management's Response – We did not receive a response from management to this finding.

FINDING NUMBER 2012-007

Noncompliance

Ohio Revised Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Villages Capital Projects Fund had a negative fund balance in the amount of \$1,787 at December 31, 2012 and 2011.

We recommend that expenditures and income be watched closer by the Fiscal Officer and Council to prevent the Capital Projects Fund from going into the negative. When a deficit occurs the Village should transfer money from the General Fund to cover the deficit.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED 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>
2010-01	Ohio Revised Code 5705.36(A)(3) Amending Budgeted Receipts to Cover Appropriations	Yes	Corrected;
2010-02	Posting Receipts and Expenditures	No	Not Corrected; Repeated as Finding 2012-001
2010-03	Advance Not Temporary	No	Not Corrected; Repeated as Finding 2012-003
2010-04	Designating an Eligible Depository for a Five Year Period	Yes	Corrected
2010-05	Ohio Revised Code 5705.36(A)(4) Appropriations Greater Than Actual Resources	Yes	Corrected
2010-06	Ohio Revised Code 5705.41(D) Purchase Order Dates Don't Proceed Invoice Date	Yes	Corrected
2010-007	Ohio Revised Code 135.18 Depositing Funds With a Designated Depository as Indicated By Depository Agreement	Yes	Corrected
2010-08	Warrants Without Two Signatures on Them	Yes	Corrected
2010-09	Davis Bacon Act – Paying Prevailing Wage Rates	Yes	No longer valid as the Village is not receiving federal funds.
2010-10	Filing of the Audit Report and Data Collection Form with the Federal Oversight Commission Within Nine Months of the Audit Period	Yes	No longer valid as the Village did not spend in excess of \$500,000 of Federal Funds during the audit period.

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Dave Yost • Auditor of State

VILLAGE OF RIDGEWAY

HARDIN 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, 2013**