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# PERRY & Associates

Certified Public Accountants, A.C.

VILLAGE OF RICHWOOD  
UNION COUNTY  
Regular Audit  
For the Years Ended June 30, 2013 and 2012

[www.perrycpas.com](http://www.perrycpas.com)

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# Dave Yost • Auditor of State

Village Council  
Village of Richwood  
153 North Franklin Street  
Richwood, Ohio 43344

We have reviewed the *Independent Auditors' Report* of the Village of Richwood, Union County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. 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 Richwood is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 16, 2015

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VILLAGE OF RICHWOOD  
UNION COUNTY

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## INDEPENDENT AUDITOR'S REPORT

March 11, 2015

Village of Richwood  
Union County  
153 North Franklin Street  
Richwood, Ohio 43344

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the **Village of Richwood**, Union County, (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no 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.

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***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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

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, 2013 and 2012, 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 Richwood, Union County, as of December 31, 2013 and 2012, 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(D) permit, described in Note 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2015, 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.



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

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 117,468	\$ 42,923	\$ -	\$ 160,391
Municipal Income Tax	459,005	-	-	459,005
Intergovernmental	19,172	93,116	-	112,288
Charges for Services	-	1,881	-	1,881
Fines, Licenses and Permits	24,740	-	-	24,740
Earnings on Investments	9,937	1,478	-	11,415
Miscellaneous	13,300	175	-	13,475
<i>Total Cash Receipts</i>	<u>643,622</u>	<u>139,573</u>	<u>-</u>	<u>783,195</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	483,758	-	-	483,758
Leisure Time Activities	-	10,650	-	10,650
Transportation	-	103,562	-	103,562
General Government	130,912	-	-	130,912
Capital Outlay	-	27,500	-	27,500
<i>Total Cash Disbursements</i>	<u>614,670</u>	<u>141,712</u>	<u>-</u>	<u>756,382</u>
<i>Net Change in Fund Cash Balances</i>	28,952	(2,139)	-	26,813
<i>Fund Cash Balances, January 1</i>	<u>619,620</u>	<u>217,284</u>	<u>91,873</u>	<u>928,777</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	215,145	91,873	307,018
Unassigned	648,572	-	-	648,572
<i>Fund Cash Balances, December 31</i>	<u>\$ 648,572</u>	<u>\$ 215,145</u>	<u>\$ 91,873</u>	<u>\$ 955,590</u>

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

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 707,688	\$ -	\$ 707,688
<i>Total Operating Cash Receipts</i>	<u>707,688</u>	<u>-</u>	<u>707,688</u>
<b>Operating Cash Disbursements</b>			
Personal Services	163,914	-	163,914
Employee Fringe Benefits	73,695	-	73,695
Contractual Services	141,228	-	141,228
Supplies and Materials	117,206	-	117,206
<i>Total Operating Cash Disbursements</i>	<u>496,043</u>	<u>-</u>	<u>496,043</u>
<i>Operating Income</i>	<u>211,645</u>	<u>-</u>	<u>211,645</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Earnings on Investments	67	-	67
Miscellaneous	200	15,805	16,005
Capital Outlay	(47,347)	-	(47,347)
Principal Retirement	(93,737)	-	(93,737)
Interest and Fiscal Charges	(24,750)	-	(24,750)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(165,567)</u>	<u>15,805</u>	<u>(149,762)</u>
<i>Net Change in Fund Cash Balances</i>	46,078	15,805	61,883
<i>Fund Cash Balances, January 1</i>	<u>512,428</u>	<u>15,208</u>	<u>527,636</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 558,506</u>	<u>\$ 31,013</u>	<u>\$ 589,519</u>

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

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**COMBINED STATEMENT OF RECEIPTS, 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>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 169,721	\$ 42,590	\$ -	\$ 212,311
Municipal Income Tax	449,270	-	-	449,270
Intergovernmental	27,910	104,051	-	131,961
Charges for Services	695	1,295	-	1,990
Fines, Licenses and Permits	13,455	-	-	13,455
Earnings on Investments	4,040	86	-	4,126
Miscellaneous	9,968	1,030	-	10,998
<i>Total Cash Receipts</i>	<u>675,059</u>	<u>149,052</u>	<u>-</u>	<u>824,111</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	508,105	21,888	-	529,993
Leisure Time Activities	-	16,036	-	16,036
Transportation	-	91,649	-	91,649
General Government	133,285	-	-	133,285
Capital Outlay	-	9,624	5,077	14,701
<i>Total Cash Disbursements</i>	<u>641,390</u>	<u>139,197</u>	<u>5,077</u>	<u>785,664</u>
<i>Net Change in Fund Cash Balances</i>	33,669	9,855	(5,077)	38,447
<i>Fund Cash Balances, January 1</i>	<u>585,951</u>	<u>207,429</u>	<u>96,950</u>	<u>890,330</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	217,284	91,873	309,157
Unassigned	619,620	-	-	619,620
<i>Fund Cash Balances, December 31</i>	<u>\$ 619,620</u>	<u>\$ 217,284</u>	<u>\$ 91,873</u>	<u>\$ 928,777</u>

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

**VILLAGE OF RICHWOOD  
UNION COUNTY**

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

	<b>Proprietary Fund Type</b>	<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Agency</b>	
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 703,682	\$ -	\$ 703,682
<i>Total Operating Cash Receipts</i>	703,682	-	703,682
<b>Operating Cash Disbursements</b>			
Personal Services	157,570	-	157,570
Employee Fringe Benefits	72,435	-	72,435
Contractual Services	141,645	-	141,645
Supplies and Materials	131,206	-	131,206
<i>Total Operating Cash Disbursements</i>	502,856	-	502,856
<i>Operating Income</i>	200,826	-	200,826
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous	750	2,000	2,750
Capital Outlay	(14,358)	-	(14,358)
Principal Retirement	(86,411)	-	(86,411)
Interest and Fiscal Charges	(22,823)	-	(22,823)
Other Non-Operating Disbursements	-	(2,000)	(2,000)
<i>Total Non-Operating Receipts (Disbursements)</i>	(122,842)	-	(122,842)
<i>Net Change in Fund Cash Balances</i>	77,984	-	77,984
<i>Fund Cash Balances, January 1</i>	434,444	15,208	449,652
<i>Fund Cash Balances, December 31</i>	\$ 512,428	\$ 15,208	\$ 527,636

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

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Richwood, Union County (the Village), as a body corporate and politic. A publicly elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations and police services.

The Village participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its 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 basis of accounting 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 invests all available funds in a checking account and certificates of deposit.

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(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 Fund:

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

**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:

Industrial Park Fund - This fund receives state grants for the preparation of the Village's industrial park.

**4. 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 Funds:

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

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

**5. Fiduciary Funds (Agency Funds)**

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's agency fund holds money for fire damage clean-up of property within the Village. Miscellaneous receipts into this fund are from insurance proceeds for fire damage to specific properties and once the property owners clean up, the Village remits monies to the owners.

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**F. Fund Balance (Continued)**

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED DEPOSITS**

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

	<u>2013</u>	<u>2012</u>
Demand Deposits	\$ 832,622	\$ 634,283
Certificates of Deposit	712,487	822,130
Total Deposits	<u>\$ 1,545,109</u>	<u>\$ 1,456,413</u>

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS (Continued)**

**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, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 590,000	\$ 643,622	\$ 53,622
Special Revenue	122,678	139,573	16,895
Capital Projects	-	-	-
Enterprise	560,000	707,955	147,955
Total	\$ 1,272,678	\$ 1,491,150	\$ 218,472

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 686,521	\$ 614,670	\$ 71,851
Special Revenue	201,870	141,712	60,158
Capital Projects	12,000	-	12,000
Enterprise	763,442	661,877	101,565
Total	\$ 1,663,833	\$ 1,418,259	\$ 245,574

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 621,701	\$ 675,059	\$ 53,358
Special Revenue	96,270	149,052	52,782
Capital Projects	-	-	-
Enterprise	656,000	704,432	48,432
Total	\$ 1,373,971	\$ 1,528,543	\$ 154,572

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 686,521	\$ 641,390	\$ 45,131
Special Revenue	175,635	139,197	36,438
Capital Projects	96,952	5,077	91,875
Enterprise	798,814	626,448	172,366
Total	\$ 1,757,922	\$ 1,412,112	\$ 345,810

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. PROPERTY TAX**

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

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

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

**5. INCOME TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income from residents earned outside the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan CK09D	\$ 34,786	0.00%
OWDA Loan #3341	193,272	6.39%
GMAC Revenue Bond Loan	158,000	5.00%
Richwood Banking Loan	47,679	4.00%
Total	<u>\$ 433,737</u>	

The Village obtained a loan from OPWC in 2002 for water line improvements. The loan is due in semi-annual payments of \$2,046 through 2022 at an interest rate of 0.00%.

The Village obtained a loan in from WODA in 2002 for water system improvements. The loan is due in semi-annual installments of \$10,792 through 2027 at an interest rate of 6.39%.

The Village issued mortgage revenue bonds for water system improvements through the General Motors Acceptance Corporation. The bonds are due in annual installments of varying amounts through 2017 at an interest rate of 5.00%.

The Village obtained a commercial loan through the Richwood Banking Company. The loan payments are due in annual installments of \$49,608 through 2014 at an interest rate of 4.00%.

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. DEBT (Continued)**

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

Year ending December 31:	OPWC	OWDA	Revenue Bond	Banking Loan
2014	\$ 4,092	\$ 21,583	\$ 44,900	\$ 49,714
2015	4,092	21,583	45,000	-
2016	4,092	21,583	45,000	-
2017	4,092	21,583	45,000	-
2018	4,092	21,583	-	-
2019-2023	14,326	107,913	-	-
2024-2028	-	75,538	-	-
Total	<u>\$ 34,786</u>	<u>\$ 291,366</u>	<u>\$ 179,900</u>	<u>\$ 49,714</u>

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**8. RISK MANAGEMENT**

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013 (the latest information available).

	<u>2012</u>	<u>2013</u>
Assets	\$34,389,569	\$34,411,883
Liabilities	<u>(14,208,353)</u>	<u>(12,760,194)</u>
Net Position	<u>\$20,181,216</u>	<u>\$21,651,689</u>

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Government's share of these unpaid claims collectible in future years is approximately \$15,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2013</u>
\$19,472	\$20,721

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**9. CONTINGENT LIABILITIES**

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



428 Second St.  
Marietta, OH 45750  
740.373.0056

1035 Murdoch Ave  
Parkersburg, WV 26101  
304.422.2203

121 E Main St  
St. Clairsville, OH 43950  
740.695.1569

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

March 11, 2015

Village of Richwood  
Union County  
153 North Franklin Street  
Richwood, Ohio 43344

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 Richwood**, Union County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated March 11, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 finding 2013-001 described in the accompanying schedule of audit findings to be a material weakness.

**... "bringing more to the table"**

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support  
Members: American Institute of Certified Public Accountants • Ohio Society of CPAs • West Virginia Society of CPAs



***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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2013-002.

We also noted a certain matter not requiring inclusion in this report that we reported to management in a separate letter dated March 11, 2015.

***Entity's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of audit findings. We did not audit the Village's response and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



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

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**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.

Receipts and disbursements were not always posted or classified correctly. The following errors were noted:

- In 2013 and 2012, Intergovernmental receipts were misclassified as Property and Other Local Taxes in the General Fund.
- In 2013 and 2012, General Government disbursements were misclassified as Other Financing Uses in the General Fund.
- In 2013 and 2012, debt payments were not properly classified as Principal Retirement and Interest and Other Fiscal Charges.
- In 2013, a Property and Other Local Taxes receipt was misclassified as a Miscellaneous receipt.
- In 2012, Fines, Licenses and Permits receipts were misclassified as Property and Other Local Taxes in the General Fund.

Not posting receipts and disbursements accurately resulted in the financial statements requiring reclassifications. The financial statements reflect all reclassifications.

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

We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

**Management's Response** – The Village understands this finding and will review the tested transactions to remedy this issue.

VILLAGE OF RICHWOOD  
UNION COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)

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

FINDING NUMBER 2013-002

**Noncompliance**

**Ohio Revised Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. 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 fiscal officer'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 the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers 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 entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer 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. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 6 of 27 (22%) of the expenditures tested for 2013 and for 2 of 26 (8%) of the expenditures tested for 2012.

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-002 (Continued)**

**Noncompliance (Continued)**

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.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

**Management's Response** – The Village understands this finding and will review the tested transactions to remedy this issue.

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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>
2011-01	Bank reconciliations	Yes	Corrected
2011-02	Posting of Receipts and Disbursements	No	Not Corrected, Repeated as 2013-001
2011-03	Monitoring Controls	Yes	Corrected
2011-04	Ohio Revised Code 5705.41(D)	No	Not Corrected, Repeated as Finding 2013-002
2011-05	Issuance of 1099's	Yes	Corrected
2011-06	VISA credit card supporting documentation	Yes	Corrected
2011-07	Posting of Budgetary Information	No	Partially Corrected, Moved to management letter
2011-08	Ohio Revised Code Chapter 1347	Yes	Corrected
2011-09	Ohio Revised Code 149.43	Yes	Corrected



# Dave Yost • Auditor of State

**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  
MAY 7, 2015**