



Dave Yost • Auditor of State

VILLAGE OF RIDGEWAY
HARDIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2016	4
Notes to the Financial Statements For the Year Ended December 31, 2016	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015	11
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2015	12
Notes to the Financial Statements For the Year Ended December 31, 2015	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings	23
Prepared by Management:	
Summary Schedule of Prior Audit Findings	28

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Ridgeway
Hardin County
103 S. Main Street
P.O. Box 23
Ridgeway, Ohio 43345

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Ridgeway, Hardin County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Ridgeway, Hardin County as of December 31, 2016 and 2015, 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 2.

Emphasis of Matter

As discussed in Note 3 to the financial statements for the year ended December 31, 2015, the December 31, 2014 Permanent Fund and Private Purpose Trust Fund balances were restated by the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 30, 2018

VILLAGE OF RIDGEWAY, OHIO
HARDIN COUNTY
 Combined Statement of Receipts, Disbursements
 And Changes in Fund Balances (Cash Basis)
 All Governmental Fund Types
 For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$4,777	\$19,713		\$24,490
Municipal Income Tax	25,496			25,496
Intergovernmental	10,907	14,919		25,826
Charges for Services		3,503		3,503
Fines, Licenses and Permits	1,737			1,737
Earnings on Investments	17	12		29
Miscellaneous	111	3,171		3,282
Total Cash Receipts	43,045	41,318		84,363
Cash Disbursements:				
Current:				
Security of Persons and Property	14,260	17,022		31,282
Public Health Services	1,180	5,933		7,113
Basic Utility Services	160			160
Transportation		7,107		7,107
General Government	22,831	1,106		23,937
Total Cash Disbursements	38,431	31,168		69,599
Excess of Receipts Over Disbursements	4,614	10,150		14,764
Other Financing Receipts (Disbursements)				
Advances In	1,000			1,000
Advances Out		(1,000)		(1,000)
Other Financing Sources	52			52
Other Financing Uses		(317)		(317)
<i>Total Other Financing Receipts (Disbursements)</i>	<i>1,052</i>	<i>(1,317)</i>	<i>-</i>	<i>(265)</i>
Net Change in Fund Cash Balances	5,666	8,833		14,499
Fund Cash Balances, January 1	15,966	150,775	(\$1,787)	164,954
Fund Cash Balances, December 31:				
Restricted		159,608		159,608
Assigned	18,619			18,619
Unassigned	3,013		(1,787)	1,226
Fund Cash Balances, December 31	\$21,632	\$159,608	(\$1,787)	\$179,453

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

VILLAGE OF RIDGEWAY, OHIO
HARDIN 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, 2016

	<u>Proprietary</u>	<u>Fiduciary</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	<u>Memorandum Only</u>
Operating Cash Receipts:			
Charges for Services	\$123,674		\$123,674
Earnings on Investments (trust funds only)		\$1	1
<i>Total Operating Cash Receipts</i>	<u>123,674</u>	<u>1</u>	<u>123,675</u>
Operating Cash Disbursements:			
Personal Services	6,769		6,769
Employee Fringe Benefits	571		571
Contractual Services	31,618		31,618
Supplies and Materials	9,815		9,815
Other	100		100
Total Operating Cash Disbursements	<u>48,873</u>		<u>48,873</u>
Operating Income	<u>74,801</u>	<u>1</u>	<u>74,802</u>
Non-Operating (Disbursements):			
Principal Retirement	(13,300)		(13,300)
Interest and Other Fiscal Charges	(39,152)		(39,152)
Total Non-Operating (Disbursements)	<u>(52,452)</u>		<u>(52,452)</u>
Net Change in Fund Cash Balances	22,349	1	22,350
Fund Cash Balances, January 1:	<u>123,048</u>	<u>307</u>	<u>123,355</u>
Fund Cash Balances, December 31:	<u>\$145,397</u>	<u>\$308</u>	<u>\$145,705</u>

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

VILLAGE OF RIDGEWAY, OHIO
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The Village of Ridgeway, Hardin County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street maintenance, and sewer utilities. The Village contracts with the 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 Mt. Victory sewer processing services.

The Village participates in jointly governed organizations. Note 10 to the financial statements provides additional information for these entities. The jointly governed organizations are:

Hardin County Regional Planning Commission – The Commission makes studies, maps, plans, recommendations and reports concerning the physical environmental, social economic and governmental characteristics, functions and services of the County.

Southeastern Hardin Ambulance District – This District provides emergency medical services to members within the District.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

VILLAGE OF RIDGEWAY, OHIO
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 Enterprise Fund:

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

Fiduciary Funds – Fiduciary funds include private purpose trust 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. The Village has the following private purpose trust fund:

Cemetery Endowment Fund - Bailey Trust – This fund receives interest income which is to be used for the perpetual upkeep and maintenance of the graves and burial lots of A.M. Bailey and family.

Basis of Accounting

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

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations

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

Estimated Resources

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

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.

VILLAGE OF RIDGEWAY, OHIO
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

A summary of 2016 budgetary activity appears in Note 3.

Deposits

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

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:

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

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

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

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

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.

Capital Assets

The Village records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these items as assets.

VILLAGE OF RIDGEWAY, OHIO
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,485	\$44,097	(\$13,388)
Special Revenue	117,449	41,318	(76,131)
Enterprise	142,500	123,674	(18,826)
Fiduciary	10	1	(9)
Total	\$317,444	\$209,090	(\$108,354)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$57,157	\$40,190	\$16,967
Special Revenue	163,400	32,485	130,915
Enterprise	149,738	101,325	48,413
Fiduciary	8	0	8
Total	\$370,303	\$174,000	\$196,303

Note 4 - 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, 2016 was as follows:

Demand deposits	\$293,590
Certificates of deposit	31,568
Total deposits	\$325,158

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

VILLAGE OF RIDGEWAY, OHIO
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 6 - Income Tax

The Village levies a municipal income tax of .5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Note 7 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Village's elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 - Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
USDA Sanitary Sewer System Mortgage Revenue Bonds Series 2010	\$965,500	4.0%
Total	\$965,500	

During 2010, the Village entered into a loan agreement with the United States Department of Agriculture (USDA) for the expansion of the Village's 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 the debt service requirements.

VILLAGE OF RIDGEWAY, OHIO
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 9 – Debt (Continued)

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

Year ending December 31:	USDA Loan - Principal	USDA Loan - Interest	Total
2017	\$13,800	\$38,620	\$52,420
2018	14,400	38,068	\$52,468
2019	15,000	37,492	\$52,492
2020	15,500	36,892	\$52,392
2021	16,200	36,272	\$52,472
2022-2026	91,100	171,120	\$262,220
2027-2031	110,800	151,392	\$262,192
2032-2036	134,800	127,380	\$262,180
2037-2041	164,000	98,172	\$262,172
2042-2046	199,600	62,644	\$262,244
2047-2050	190,300	19,404	\$209,704
Total	<u>\$965,500</u>	<u>\$817,456</u>	<u>\$1,782,956</u>

Note 10 - Jointly Governed Organizations

Hardin County Regional Planning Commission

Hardin County Regional Planning Commission - (the Commission) is governed by a Board consisting of members from Hardin County, the municipalities and townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office. The Township is represented by one member.

The Commission assists in administering grants; provides member subdivisions with technical assistance with grants and grant writing; provides member subdivisions with assistance on zoning codes and the updating and revision of these codes; assists with the division of real estate lots; maintains flood insurance maps on file and oversees flood hazard construction regulations; and maintains the County's census data on file. Each participating government may be required to contribute an assessment per capita according to the latest federal census in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

Southeastern Hardin Ambulance District

The constitution and laws of the State of Ohio establish the rights and privileges of the Southeastern Hardin Ambulance District, Hardin County (the District), as a body corporate and politic. The District is directed by an appointed four-member Board of Trustees. The Board of Trustees is appointed by the governing bodies of the Villages and Townships within Hardin County who receive ambulance services from the District. The District provides ambulance service for the Villages of Mount Victory and Ridgeway and the townships of Hale and Taylor Creek. Financial information can be obtained from the District at 212 South Wheeler Street, Mount Victory, Ohio 43340.

VILLAGE OF RIDGEWAY, OHIO
HARDIN COUNTY
 Combined Statement of Receipts, Disbursements
 And Changes in Fund Balances (Cash Basis)
 All Governmental Fund Types
 For the Year Ended December 31, 2015

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$4,043	19,176		\$23,219
Municipal Income Tax	31,738			31,738
Intergovernmental	8,324	\$24,121		32,445
Charges for Services		6,487		6,487
Fines, Licenses and Permits	1,521			1,521
Earnings on Investments	15	11		26
Miscellaneous	1,500	2,215		3,715
Total Cash Receipts	<u>47,141</u>	<u>52,010</u>		<u>99,151</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	13,454	14,178		27,632
Public Health Services	1,332	4,028		5,360
Leisure Time Activities	1,469			1,469
Basic Utility Services	624			624
Transportation		10,706		10,706
General Government	29,325	800		30,125
Total Cash Disbursements	<u>46,204</u>	<u>29,712</u>		<u>75,916</u>
Excess of Receipts Over Disbursements	<u>937</u>	<u>22,298</u>		<u>23,235</u>
Other Financing Receipts:				
Other Financing Sources	<u>35</u>	<u>48</u>		<u>83</u>
<i>Total Other Financing Receipts</i>	<u>35</u>	<u>48</u>	-	<u>83</u>
Net Change in Fund Cash Balances	972	22,346		23,318
Fund Cash Balances, January 1	<u>14,994</u>	<u>128,429</u>	<u>(\$1,787)</u>	<u>141,636</u>
Fund Cash Balances, December 31:				
Restricted	617	150,775		151,392
Unassigned	15,349		(1,787)	13,562
Fund Cash Balances, December 31	<u>\$15,966</u>	<u>\$150,775</u>	<u>(\$1,787)</u>	<u>\$164,954</u>

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

VILLAGE OF RIDGEWAY, OHIO
HARDIN 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, 2015

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals Memorandum Only</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$126,107		\$126,107
Operating Cash Disbursements:			
Personal Services	6,673		6,673
Employee Fringe Benefits	603		603
Contractual Services	48,655		48,655
Supplies and Materials	9,496		9,496
Other	410	(\$6)	404
Total Operating Cash Disbursements	<u>65,837</u>	<u>(6)</u>	<u>65,831</u>
Operating Income	<u>60,270</u>	<u>(6)</u>	<u>60,276</u>
Non-Operating Receipts (Disbursements):			
Miscellaneous Receipts			0
Capital Outlay			0
Principal Retirement	(12,400)		(12,400)
Interest and Other Fiscal Charges	(39,960)		(39,960)
Total Non-Operating Receipts (Disbursements)	<u>(52,360)</u>	<u>0</u>	<u>(52,360)</u>
Net Change in Fund Cash Balances	7,910	(6)	7,916
Fund Cash Balances, January 1:	<u>115,138</u>	<u>313</u>	<u>115,451</u>
Fund Cash Balances, December 31:	<u>\$123,048</u>	<u>\$307</u>	<u>\$123,367</u>

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

VILLAGE OF RIDGEWAY, OHIO
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Reporting Entity

The Village of Ridgeway, Hardin County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street maintenance, and sewer utilities. The Village contracts with the 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 Mt. Victory sewer processing services.

The Village participates in jointly governed organizations. Note 11 to the financial statements provides additional information for these entities. The jointly governed organizations are:

Hardin County Regional Planning Commission – The Commission makes studies, maps, plans, recommendations and reports concerning the physical environmental, social economic and governmental characteristics, functions and services of the County.

Southeastern Hardin Ambulance District – This District provides emergency medical services to members within the District.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

VILLAGE OF RIDGEWAY, OHIO
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 Enterprise Fund:

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

Fiduciary Funds - Fiduciary funds include private purpose trust 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. The Village's has the following private purpose trust fund:

Cemetery Endowment Fund – This fund receives interest income which is to be used for the perpetual upkeep and maintenance of the graves and burial lots of A.M. Bailey and family.

Basis of Accounting

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

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations

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

Estimated Resources

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

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.

VILLAGE OF RIDGEWAY, OHIO
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

A summary of 2015 budgetary activity appears in Note 5.

Deposits

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

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:

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

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

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

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

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.

Capital Assets

The Village records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these items as assets.

VILLAGE OF RIDGEWAY, OHIO
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 3 – Restatement of Fund Balance

The December 31, 2014 Permanent Fund and Private Purpose Trust Fund balances were restated by the Village. The Cemetery Endowment Fund which is to benefit graves as specified by the donor should be classified as a Private Purpose Trust Fund instead of a Permanent Fund. This change had the following impact on fund type balances as previously reported:

	Permanent Fund	Private Purpose Trust Fund
Fund Balance December 31, 2014:	\$313	\$0
Restatement:		
Permanent Fund	(313)	313
Restated Fund Balance January 1, 2015	\$0	\$313

Note 4 - 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, 2015 was as follows:

Demand deposits	\$256,753
Certificates of deposit	31,568
Total deposits	\$288,321

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

Note 5 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,362	\$47,176	(\$35,186)
Special Revenue	119,487	52,058	(67,429)
Enterprise	226,984	126,107	(100,877)
Fiduciary	5	0	(5)
Total	\$428,838	\$225,341	(\$203,497)

VILLAGE OF RIDGEWAY, OHIO
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 5 - Budgetary Activity (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,557	\$46,821	\$13,736
Special Revenue	164,000	29,712	134,288
Enterprise	163,005	118,197	44,808
Fiduciary	8	6	2
Total	\$387,570	\$194,736	\$192,834

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 7 - Income Tax

The Village levies a municipal income tax of .5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Note 8 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

VILLAGE OF RIDGEWAY, OHIO
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 9 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Village's elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 10 - Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
USDA Sanitary Sewer System Mortgage Revenue Bonds Series 2010	\$978,800	4.0%
Total	\$978,800	

During 2010, the Village entered into a loan agreement with the United States Department of Agriculture (USDA) for the expansion of the Village's 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 the debt service requirements.

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

Year ending December 31:	USDA Loan - Principal	USDA Loan - Interest	Total
2016	\$13,300	\$39,152	\$52,452
2017	13,800	38,620	\$52,420
2018	14,400	38,068	\$52,468
2019	15,000	37,492	\$52,492
2020	15,500	36,892	\$52,392
2021-2025	87,600	174,624	\$262,224
2026-2030	106,500	155,652	\$262,152
2031-2035	129,700	132,568	\$262,268
2036-2040	157,700	104,480	\$262,180
2041-2045	191,800	70,316	\$262,116
2046-2050	233,500	28,744	\$262,244
Total	\$978,800	\$856,608	\$1,835,408

VILLAGE OF RIDGEWAY, OHIO
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 11 - Jointly Governed Organizations

Hardin County Regional Planning Commission

Hardin County Regional Planning Commission - (the Commission) is governed by a Board consisting of members from Hardin County, the municipalities and townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office. The Township is represented by one member.

The Commission assists in administering grants; provides member subdivisions with technical assistance with grants and grant writing; provides member subdivisions with assistance on zoning codes and the updating and revision of these codes; assists with the division of real estate lots; maintains flood insurance maps on file and oversees flood hazard construction regulations; and maintains the County's census data on file. Each participating government may be required to contribute an assessment per capita according to the latest federal census in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

Southeastern Hardin Ambulance District

The constitution and laws of the State of Ohio establish the rights and privileges of the Southeastern Hardin Ambulance District, Hardin County (the District), as a body corporate and politic. The District is directed by an appointed four-member Board of Trustees. The Board of Trustees is appointed by the governing bodies of the Villages and Townships within Hardin County who receive ambulance services from the District. The District provides ambulance service for the Villages of Mount Victory and Ridgeway and the townships of Hale and Taylor Creek. Financial information can be obtained from the District at 212 South Wheeler Street, Mount Victory, Ohio 43340.

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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 Ridgeway
Hardin County
103 S. Main Street
P.O. Box 23
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 cash balances, receipts, and disbursements by fund type of the Village of Ridgeway, Hardin County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated May 30, 2018, 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. We also noted the December 31, 2014 Permanent Fund and Private Purpose Trust balances were restated by the Village.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2016-001 and 2016-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2016-003 and 2016-004 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-004 and 2016-005.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

May 30, 2018

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Material Weakness – Accuracy of Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors were identified in the accounting records and/or financial statements for 2016:

- July 2016 income tax receipts were overstated by \$160 in the General Fund due to the wrong amount being posted;
- September 2016 income tax receipts in the amount of \$1,167 were recorded in the Enterprise Sewer Fund instead of the General Fund;
- General Fund disbursements in the amount of \$3,059 from income tax agency collection fees and county auditor and treasurer fees were recorded as debt service interest instead of general government disbursements;
- Governmental Accounting Standards Board (GASB) Statement No. 54 paragraph 16 (GASB Codification 1800.176 - *Fund Balance Reporting and Governmental Fund Type Definitions*, states an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. At December 31, 2016, General Fund subsequent year appropriations in excess of estimated receipts, in the amount of \$16,860 were classified as unassigned fund balance instead of assigned fund balance;
- General Fund year-end encumbrances in the amount of \$1,759 were classified as unassigned fund balance instead of assigned fund balance. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 13 (GASB Codification 1800.173) – *Fund Balance Reporting and Governmental Fund Type Definitions*, states amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance;
- General fund homestead and rollback and local government receipts of \$851 were classified as property and other local taxes instead of intergovernmental receipts;
- To reconcile the fund balance with the bank, General Fund miscellaneous receipts were decreased by \$139. This was due to unexplained "other adjusting factors" on the bank to book reconciliation;
- A payment refund in the amount of \$130 recorded in the Special Revenue Fire Apparatus Fund was classified as charges for services instead of miscellaneous receipts;
- Special Revenue Fire Apparatus Fund homestead and rollback receipts in the amount of \$1,039 were classified as property and other local taxes instead of intergovernmental receipts; and
- Special Revenue intergovernmental receipts were overstated by \$933 due to gasoline tax receipts in the amount of \$863 for the Street Fund and \$70 for the State Highway Fund were recorded in the accounting system twice.

FINDING NUMBER 2016-001
(Continued)

The following errors were identified in the accounting records and/or financial statements for 2015:

- The Village did not record audit adjustments from prior year audits. As a result to agree the beginning January 1, 2015 fund balances to the December 31, 2014 audited ending balances, adjustments were made to decrease the opening balance of the General Fund by \$197, increase the Special Revenue Street Fund opening balance by \$33,041, increase the Special Revenue Fire Apparatus Fund opening balance by \$140, decrease the Capital Projects Fund opening balance by \$1,787, decrease the Enterprise Sewer Operating Fund opening balance by \$2,938, increase the Enterprise Debt Service Fund opening balance by \$16,839, and decrease the Enterprise Debt Service Reserve Fund opening balance by \$14,649;
- General Fund disbursements in the amount of \$9,161 from income tax agency collection fees, county auditor and treasurer fees, and audit fees were recorded as debt service interest instead of general government disbursements;
- General Fund homestead and rollback and local government receipts in the amount of \$1,700 were classified as property and other local taxes and as other financing sources instead of intergovernmental receipts;
- General Fund year-end encumbrances in the amount of \$617 were classified as unassigned fund balance instead of assigned fund balance. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 13 (GASB Codification 1800.173) – *Fund Balance Reporting and Governmental Fund Type Definitions*, states amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance;
- Special Revenue Fire Apparatus Fund homestead and rollback receipts in the amount of \$1,037 were reclassified as property and other local taxes instead of intergovernmental receipts;
- Special Revenue Fire Apparatus Fund donations in the amount of \$400 were classified as charges for services instead of miscellaneous receipts; and
- Enterprise Fund debt service disbursements in the amount of \$300 were classified as material and supplies disbursements.

The notes to the financial statements for 2016 and 2015 had errors which included not identifying the jointly governed entities, did not correctly describe the Private Purpose Trust Fund, did not describe the basis of accounting, estimated receipts were not correct in the budgetary note, and did not correctly identify the source of the outstanding debt. The Summary Schedule of Prior Audit Findings prepared for the 2016-2015 audit period reflected the status of the audit findings from the 2012-2011 audit report.

The accompanying financial statements and where necessary the accounting records have been adjusted to correct these recording errors.

The failure to post audit adjustments to the UAN system and correctly classify financial activity in the UAN system and financial statements may impact the user's understanding of the financial operations, the Village's ability to make sound financial decisions, the Village's ability to comply with budgetary laws, and result in the material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner.

The errors identified should be reviewed by the Clerk-Treasurer to help prevent similar errors in subsequent years. In addition, governmental accounting resources such as those found on the Auditor of State website at <https://ohioauditor.gov/> should be reviewed for guidance in recording financial activity. Council should periodically review the accounting records and review the year-end financial statements and notes to the financial statements to help identify and correct errors in a timely manner.

FINDING NUMBER 2016-002

Material Weakness – Bank to Book Reconciliations

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Monthly bank to book reconciliations (the reconciliations) are prepared by the Clerk-Treasurer to provide evidence that financial activity per the bank has been agreed to the activity per the accounting records. Differences between the bank and book are to be supported by reconciling items. The reconciliations are presented to Council for review and approval.

The Clerk-Treasurer performed monthly reconciliations during 2016 and 2015 using the Uniform Accounting Network system (UAN) and the reconciliations were presented to Council for review. However, the amounts reported as bank balances at December 31, 2016 and 2015 on the reconciliations were less than the actual bank balances due to the omission of certificates of deposit in the amount of \$31,568, included unsupported “other adjusting factors” in the amount of \$2,631 at December 31, 2016 and \$1,390 at December 31, 2015 which were the result of recording errors and the failure to record prior audit adjustments, and the 2015 reconciliation included two bank account names even though the Village only had one bank account.

Reconciliations that do not include all accounts under the control of the Village, include account names not belonging to the Village, or include unsupported “other adjusting factors” increase the risk of errors and/or irregularities that may not be detected in a timely manner.

The accompanying financial statements have been adjusted so that the bank to book reconciles.

Reconciliations should include all bank accounts, and investment accounts if applicable, under the control of the Village; and reconciling items should have supporting documentation. Reconciling items not supported should be investigated and resolved timely. In addition to the monthly review of the reconciliations, Council, or a sub-committee of Council, should periodically perform an in-depth review of the reconciliations by agreeing all reported amounts to supporting documentation.

FINDING NUMBER 2016-003

Significant Deficiency – Outstanding Advance

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year and cash advances are subject to the following requirements:

**FINDING NUMBER 2016-003
(Continued)**

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision (Village Council) which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

In 2005, the 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 Sewer Operating Fund. The advance does not appear to have been repaid since that time.

Council should make a determination as to whether or not this advance will be repaid to the General Fund. If it is determined the advance will not be repaid, the advance should be converted to a transfer as authorized in **Ohio Revised Code §§ 5705.14 to 5705.16** through a formal resolution.

FINDING NUMBER 2016-004

Noncompliance Citation / Significant Deficiency

United States Department of Agriculture Sanitary Sewer System Mortgage Revenue Bond Series 2010, required the Village to establish a Sinking Fund, a Reserve Fund, and a Surplus Fund. At a minimum, each month 1/12 of interest plus the amount necessary to provide for payment of the next ensuing principal maturity of all bonds outstanding is to be set aside in the Sinking Fund pledged to the payment of principal and interest on the bonds. Commencing with the first day of the calendar month following the initial delivery of the bonds, an amount equal to \$437.83 per month is to be placed in Reserve Fund until there is accumulated in such fund the sum of \$52,540 (the minimum reserve). Monthly, commencing with the first day of the calendar month following the initial delivery of the Bonds, any money remaining in the Revenue Fund after reserving therein an adequate amount as working capital for the System, shall be transferred to the Surplus Fund

The Village established all three of these funds. However, the Sinking Fund was not utilized during 2016 and 2015; instead, all principal and interest payments were paid from the Sewer Operating Fund. The Reserve Fund had been established with a balance that exceeded the minimum required balance. The Surplus Fund did not have a balance.

FINDING NUMBER 2016-004

The failure to transfer the minimum required amount each month to the Sinking Fund could result in the Village not having adequate resources to make debt service payments. The failure to establish the Surplus Fund could result in the inability to make debt service payments in the event the Sinking Fund or Reserve Fund does not have adequate balances. Also, the Village may not have adequate funding to make extensions or improvements to the system or for other obligations of the System.

The Village should allocate money to the Sinking and Surplus Funds as required by the Bond agreement. Council should monitor the funding of all required funds.

FINDING NUMBER 2016-005

Noncompliance Citation

Ohio Rev. Code § 5705.10(I), states money paid into any fund shall be used only for the purposes for which such fund is established. A negative fund cash balances indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2016 and 2015, the Capital Projects had a negative fund balance of \$1,787. This same negative fund balance has existed since January 31, 2010, and it does not appear that there has been activity in this Fund since 2010.

The Village should consider transferring funds from the General fund to the Capital Projects fund in order to eliminate this negative fund balance.

OFFICIALS' RESPONSE: We did not receive a response from Officials to the findings reported above.

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material Weakness – Posting Receipts and Disbursements. First reported in the audit for the period 2006-2005.	Not Corrected	Repeated in Finding 2016-001
2014-002	Material Weakness – Budgetary Controls. First reported in the audit for the period 2012-2011.	Not Fully Corrected	The negative fund balance violation is repeated as Finding 2016-005. The posting of appropriation modifications to the accounting system is being reported in the Management Letter
2014-003	Material Weakness – Bank Reconciliations. First reported in the audit for the period 2012-2011.	Not Corrected	Repeated as Finding 2016-002
2014-004	Significant Deficiency – Advance Not Temporary. First reported in the audit for the period 2006-2005.	Not Corrected	Repeated as Finding 2016-003
2014-005	Noncompliance – Revenue Bond Requirement Terms. First reported in the audit for the period 2012-2011.	Not Corrected	Repeated as Finding 2016-004



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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
JULY 12, 2018