



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF RIDGEWAY
HARDIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

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

To the Village 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, 2018 and 2017.

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, 2018 and 2017, 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, Ohio as of December 31, 2018 and 2017, 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 12 to the financial statements in 2018 and Note 13 to the financial statements in 2017, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of 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 April 24, 2020, 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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

April 24, 2020

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VILLAGE OF RIDGEWAY
HARDIN COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$5,912	\$21,516		\$27,428
Municipal Income Tax	29,179			29,179
Intergovernmental	10,112	49,733		59,845
Charges for Services		2,650		2,650
Fines, Licenses and Permits	2,141			2,141
Earnings on Investments	22	44		66
Miscellaneous		2,250		2,250
<i>Total Cash Receipts</i>	<u>47,366</u>	<u>76,193</u>		<u>123,559</u>
Cash Disbursements				
Current:				
Security of Persons and Property	13,559	42,530		56,089
Public Health Services	1,210	4,101		5,311
Leisure Time Activities	242			242
Transportation		39,082		39,082
General Government	32,082	1,300		33,382
<i>Total Cash Disbursements</i>	<u>47,093</u>	<u>87,013</u>		<u>134,106</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>273</u>	<u>(10,820)</u>		<u>(10,547)</u>
Other Financing Receipts (Disbursements)				
Transfers In			\$1,787	1,787
Transfers Out	(1,787)			(1,787)
Other Financing Sources	1,827			1,827
Other Financing Uses		(424)		(424)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>40</u>	<u>(424)</u>	<u>1,787</u>	<u>1,403</u>
<i>Net Change in Fund Cash Balances</i>	313	(11,244)	1,787	(9,144)
<i>Fund Cash Balances, January 1</i>	<u>17,195</u>	<u>172,306</u>	<u>8,213</u>	<u>197,714</u>
Fund Cash Balances, December 31				
Restricted		161,062	10,000	171,062
Assigned	12,052			12,052
Unassigned	5,456			5,456
<i>Fund Cash Balances, December 31</i>	<u>\$17,508</u>	<u>\$161,062</u>	<u>\$10,000</u>	<u>\$188,570</u>

See accompanying notes to the basic financial statements

VILLAGE OF RIDGEWAY
HARDIN COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$104,548		\$104,548
<i>Total Operating Cash Receipts</i>	<u>104,548</u>		<u>104,548</u>
Operating Cash Disbursements			
Personal Services	7,921		7,921
Employee Fringe Benefits	603		603
Contractual Services	23,961		23,961
Supplies and Materials	26,290		26,290
<i>Total Operating Cash Disbursements</i>	<u>58,775</u>		<u>58,775</u>
<i>Operating Income</i>	<u>45,773</u>		<u>45,773</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	23,419		23,419
Principal Retirement	(14,400)		(14,400)
Interest and Other Fiscal Charges	(38,068)		(38,068)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(29,049)</u>		<u>(29,049)</u>
<i>Net Change in Fund Cash Balances</i>	16,724		16,724
<i>Fund Cash Balances, January 1</i>	<u>182,723</u>	<u>\$306</u>	<u>183,029</u>
<i>Fund Cash Balances, December 31</i>	<u>\$199,447</u>	<u>\$306</u>	<u>\$199,753</u>

See accompanying notes to the basic financial statements

VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 – Reporting Entity

The Village of Ridgeway, (the Village), Hardin County, Ohio 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, cemetery maintenance, and sewer utilities. The Village contracts with the Hardin County Sheriff's department to provide security of persons and property. The Village contracts with and provides the Village of Mt. Victory sewer processing services. The Village appropriates general fund money to support a volunteer fire department.

Jointly Governed Organizations

The Village participates in two 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
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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:

Capital Projects Fund The capital projects fund accounts for and reports proceeds from the sale of capital assets. The proceeds are restricted for capital outlay expenditures.

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

Sewer Operating Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary 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.

Bailey Trust Fund The Village's private purpose trust fund receives 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 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 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. Unencumbered appropriations lapse at year end.

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

A summary of 2018 budgetary activity appears in Note 3.

VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

Capital Assets

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

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.

VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,594	\$49,193	(\$3,401)
Special Revenue	172,961	76,193	(96,768)
Capital Projects		1,787	1,787
Enterprise	152,807	127,967	(24,840)
Trust	5		(5)
Total	<u>\$378,367</u>	<u>\$255,140</u>	<u>(\$123,227)</u>

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$69,548	\$49,575	\$19,973
Special Revenue	224,658	87,947	136,711
Enterprise	156,686	111,327	45,359
Total	<u>\$450,892</u>	<u>\$248,849</u>	<u>\$202,043</u>

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 was as follows:

	2018
Demand deposits	\$356,370
Certificates of deposit	31,647
Other time deposits (savings account)	306
Total deposits	<u>\$388,323</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 5 – Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Income Taxes

The Village levies a municipal income tax of 0.5 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 Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Interfund Balances

Transfer

During 2018, the general fund made a transfer to the capital projects fund, in the amount of \$1,787 to eliminate a previously recognized negative balance in the fund.

Advances

The outstanding advance at December 31, 2018, consisted of an outstanding advance from 2005 that has yet to be repaid and was made from the general fund to the sewer operating enterprise fund to purchase a computer, printer, billing software program, and preprinted statements, totaling \$1,490, to be used to prepare sewer fund billing statements.

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 10 – Debt

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Sanitary Sewer System Mortgage Revenue Bonds Series 2010	\$937,300	4.00%

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 as 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

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

VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Year Ending December 31:	USDA Mortgage Revenue Bonds
2019	\$ 52,492
2020	52,392
2021	52,472
2022	52,424
2023	52,452
2024-2028	262,188
2029-2033	262,148
2034-2038	262,280
2039-2043	262,192
2044-2048	262,156
2049-2050	104,872
Total	\$ 1,678,068

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 Village 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.

Note 12 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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VILLAGE OF RIDGEWAY
HARDIN COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$5,334	\$20,047		\$25,381
Municipal Income Tax	25,981			25,981
Intergovernmental	9,592	222,754		232,346
Charges for Services		5,302		5,302
Fines, Licenses and Permits	1,818			1,818
Earnings on Investments	19	14		33
Miscellaneous	1,726	1,863		3,589
<i>Total Cash Receipts</i>	<u>44,470</u>	<u>249,980</u>		<u>294,450</u>
Cash Disbursements				
Current:				
Security of Persons and Property	14,736	221,243		235,979
Public Health Services	3,690	4,409		8,099
Leisure Time Activities	1,073			1,073
Basic Utility Services	130			130
Transportation		10,092		10,092
General Government	29,527	1,538		31,065
<i>Total Cash Disbursements</i>	<u>49,156</u>	<u>237,282</u>		<u>286,438</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,686)</u>	<u>12,698</u>		<u>8,012</u>
Other Financing Receipts				
Sale of Capital Assets			\$10,000	10,000
Other Financing Sources	249			249
<i>Total Other Financing Receipts</i>	<u>249</u>		<u>10,000</u>	<u>10,249</u>
<i>Net Change in Fund Cash Balances</i>	<u>(4,437)</u>	<u>12,698</u>	<u>10,000</u>	<u>18,261</u>
<i>Fund Cash Balances, January 1</i>	<u>21,632</u>	<u>159,608</u>	<u>(1,787)</u>	<u>179,453</u>
Fund Cash Balances, December 31				
Restricted		172,306	8,213	180,519
Assigned	16,954			16,954
Unassigned	241			241
<i>Fund Cash Balances, December 31</i>	<u>\$17,195</u>	<u>\$172,306</u>	<u>\$8,213</u>	<u>\$197,714</u>

See accompanying notes to the basic financial statements

VILLAGE OF RIDGEWAY
HARDIN COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$103,427		\$103,427
Fines, Licenses and Permits	1,200		1,200
<i>Total Operating Cash Receipts</i>	<u>104,627</u>		<u>104,627</u>
Operating Cash Disbursements			
Personal Services	7,953		7,953
Employee Fringe Benefits	676		676
Contractual Services	22,658		22,658
Supplies and Materials	3,198		3,198
Other	215	\$2	217
<i>Total Operating Cash Disbursements</i>	<u>34,700</u>	<u>2</u>	<u>34,702</u>
<i>Operating Income (Loss)</i>	<u>69,927</u>	<u>(2)</u>	<u>69,925</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	19,819		19,819
Principal Retirement	(13,800)		(13,800)
Interest and Other Fiscal Charges	(38,620)		(38,620)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(32,601)</u>		<u>(32,601)</u>
<i>Net Change in Fund Cash Balances</i>	37,326	(2)	37,324
<i>Fund Cash Balances, January 1</i>	<u>145,397</u>	<u>308</u>	<u>145,705</u>
<i>Fund Cash Balances, December 31</i>	<u>\$182,723</u>	<u>\$306</u>	<u>\$183,029</u>

See accompanying notes to the basic financial statements

VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 – Reporting Entity

The Village of Ridgeway, (the Village), Hardin County, Ohio 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, cemetery maintenance, and sewer utilities. The Village contracts with the Hardin County Sheriff's department to provide security of persons and property. The Village contracts with and provides the Village of Mt. Victory sewer processing services. The Village appropriates general fund money to support a volunteer fire department.

Jointly Governed Organizations

The Village participates in two jointly governed organizations. Note 12 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
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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:

Capital Projects Fund The capital projects fund accounts for and reports proceeds from the sale of capital assets. The proceeds are restricted for capital outlay expenditures.

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

Sewer Operating Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary 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.

Bailey Trust Fund The Village's private purpose trust fund receives 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 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 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. Unencumbered appropriations lapse at year end.

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

A summary of 2017 budgetary activity appears in Note 4.

VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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.

Capital Assets

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

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.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the fire apparatus special revenue fund by \$174,971 for the year ended December 31, 2017.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,057	\$44,719	(\$11,338)
Special Revenue	121,579	249,980	128,401
Capital Projects		10,000	10,000
Enterprise	152,748	124,446	(28,302)
Trust	5		(5)
Total	\$330,389	\$429,145	\$98,756

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$73,440	\$49,519	\$23,921
Special Revenue	154,446	248,190	(93,744)
Enterprise	136,358	90,044	46,314
Trust	5	2	3
Total	\$364,249	\$387,755	(\$23,506)

Note 5 – 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:

	2017
Demand deposits	\$348,829
Certificates of deposit	31,608
Other time deposits (savings account)	306
Total deposits	\$380,743

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 – Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Income Taxes

The Village levies a municipal income tax of 0.5 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 Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Interfund Balances

Advances

The outstanding advance at December 31, 2017, consisted of an outstanding advance from 2005 that has yet to be repaid and was made from the general fund to the sewer operating enterprise fund to purchase a computer, printer, billing software program, and preprinted statements, totaling \$1,490, to be used to prepare sewer fund billing statements.

Note 8 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 9 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 10 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2017.

Note 11 – Debt

Debt outstanding at December 31, 2017, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Sanitary Sewer System Mortgage Revenue Bonds Series 2010	\$951,700	4.00%

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 as 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

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

VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Year Ending December 31:	USDA Mortgage Revenue Bonds
2018	\$52,468
2019	52,492
2020	52,392
2021	52,472
2022	52,424
2023-2027	262,176
2028-2032	262,260
2033-2037	262,188
2038-2042	262,112
2043-2047	262,260
2048-2050	157,292
Total	\$1,730,536

Note 12 – 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 Village 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.

Note 13 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

Village of Ridgeway
Hardin County
103 South 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, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated April 24, 2020, 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 financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of 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 a significant deficiency.

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 2018-002 through 2018-005 and 2018-007 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 finding 2018-006 described in the accompanying schedule of findings to be a significant deficiency.

Efficient • Effective • Transparent

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 2018-001, 2018-003 through 2018-004, and 2018-007.

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.



Keith Faber
Auditor of State

Columbus, Ohio

April 24, 2020

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Village is the level at which Council adopts the original appropriation measure.

At December 31, 2017 actual expenditures of \$231,941 exceeded appropriations of \$56,970 in the Fire Apparatus Fund by the amount of \$174,971.

This error was a result of inadequate policies and procedures in reviewing budgetary information. Failure to have adequate appropriations in place at the time of expenditure may result in expenditures exceeding available resources, and result in deficit spending.

The Clerk-Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk/Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2018-002

Material Weakness

Cash Reconciliation Process Errors

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Clerk-Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council is responsible for reviewing the reconciliations and related support.

The Clerk-Treasurer performed monthly reconciliations during 2018 and 2017 using the Uniform Accounting Network (UAN) and the reconciliations were presented to Council for review. However, the amounts reported as bank balances at December 31, 2018 and 2017 on the reconciliations were less than the actual bank balances due to the omission of certificates of deposit and a savings account in the amount of \$31,954 at December 31, 2018 and \$31,914 at December 31, 2017.

In addition to these errors, we also noted reconciling errors in each year that resulted in adjustments to the financial statements, to reconcile the bank to the books.

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 2018-003

Material Weakness and Noncompliance

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 the 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, due to deficiencies in internal policies and control procedures, the Sinking Fund was not utilized during 2018 and 2017; 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.

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 fund 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 2018-004

Material Weakness and Noncompliance

In accordance with Village Ordinance 2212 and the debt agreement between the Village and the United States Department of Agriculture (USDA), "Monthly, commencing with the first day of the calendar month following the initial delivery of the Series 2010 Bonds, there shall be set aside and deposited in the Sanitary Sewer System Reserve Fund (the Reserve Fund), which such fund is hereby established in the custody of the Village, the sum of \$437.83 until there is accumulated in such fund the sum of \$52,540 (the "Minimum Reserve"), after which no further deposits need be made into such fund except to replace withdrawals. With the approval of the Government, the Minimum Reserve shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the System which may be caused by an unforeseen catastrophe, and when necessary for the purpose of making payments of principal and interest on the Bonds hereby authorized if the amount in the Sinking Fund is not sufficient to meet such payments."

Due to a lack of controls over the transfers and the budgetary process, during fiscal year 2018 the Village transferred monies from the Debt Service Reserve Fund to the Sewer Operating Fund. The Village budgeted for the transfer and no indication was given stating why the transfer was made; furthermore there was no evidence the Village met any of the requirements listed in the debt agreement for the use of these funds.

Failure to monitor debt agreements and ensure activity related to debt funds is in accordance with debt agreements, could result in debt covenant violations.

The accompanying financial statements have been adjusted to correct this inappropriate transfer.

The Village should review their debt agreement prior to authorizing any activity from debt funds, to ensure the activity is allowable and meets any necessary requirements.

FINDING NUMBER 2018-005

Material Weakness

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. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The following errors were noted in the accompanying 2018 and 2017 financial statements:

- In 2017, a special assessment receipt for delinquent sewer billings in the amount of \$2,935 was recorded in the utility system and deposited with the bank, however it was never recorded in the accounting system.
- In 2017, the Village did not post all income tax receipts at gross, resulting in an understatement in General Fund income tax receipts and general government expenses in the amount of \$2,571.

- In 2017, the Village issued a check from the Private Purpose Trust Fund to the Village in the amount of \$2. The money was receipted into the Village's Cemetery Special Revenue Fund, however, the expenditure was not recorded in the Private Purpose Trust Fund.
- In 2018, the Village approved a transfer in the amount of \$1,787 from the General Fund to the Capital Projects Fund to eliminate a negative fund balance. The transfer was not recorded in the accounting system.
- In 2018, the Village failed to record an income tax receipt and related general government expense in the General Fund, in the amount of \$822 and \$25, respectively.
- In 2018, the Village did not post all income tax receipts at gross, resulting in an understatement in General Fund income tax receipts and general government expenses in the amount of \$2,737.
- Special assessment receipts for delinquent sewer billings were incorrectly recorded as charges for services in the Enterprise Fund, in the amounts of \$23,419 and \$16,888 in 2018 and 2017, respectively.
- Intergovernmental revenue receipts from Hale Township, representing levy proceeds received by the Township for the Village cemetery, were incorrectly recorded as charges for services in the Special Revenue Fund totaling \$2,052 and \$2,072 in 2018 and 2017, respectively.
- Debt principal payments related to the Village's USDA debt were incorrectly recorded as interest and other fiscal charges in 2018 and materials and supplies disbursements in 2017 in the amounts of \$900 and \$300, respectively.
- Payments for fees related to income tax and property tax collections, as well as audit costs, were erroneously recorded as interest and other fiscal charges in the General Fund instead of as general government, in the amounts of \$1,733 and \$6,550 in 2018 and 2017, respectively.
- Subsequent year appropriations over estimated receipts and outstanding encumbrances within the General Fund of \$11,358 and \$16,591 were improperly accounted for as unassigned fund balance rather than assigned in 2018 and 2017, respectively. Additionally, carryover encumbrances, totaling \$694 in 2018 and \$363 in 2017, were not taken into consideration.
- Various note disclosures required modification in 2018 and 2017, as they were not appropriately updated and other information was not presented. Specifically, the interfund activity note, the debt note, the postemployment benefit note, and the jointly governed organization note were not included in the Hinkle filing. Additionally, the budgetary notes were not properly completed, and several of the notes were not properly updated.

The errors noted above were due to an insufficiency of monitoring by management. The amounts noted above that were improperly classified or recorded have been adjusted and are properly presented on the financial statements and notes to the financial statements. Additional errors were noted in smaller relative amounts.

The failure to correctly classify financial activity in the accounting records and financial statements may impact a user's understanding of the financial operations, the ability to make sound financial decisions, the ability to comply with budgetary laws, and may 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 by the Council. Inaccurate note disclosures pose the risk of misleading the readers of the annual financial report.

To help ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures to identify and correct errors and omissions. The Clerk-Treasurer should also review the Ohio Village Handbook, Uniform Accounting Network (UAN) Manual, and Audit Bulletin 2011-004 for information on GASB Statement No. 54. Additionally, the Council should perform periodic reviews of the receipt and disbursement ledgers to help identify errors and/or irregularities. The Clerk/Treasurer should review the most current note disclosure shell available on the Auditor of State web site for the most up-to-date version of the note disclosures. A secondary review of the Notes to the Financial Statements should be performed to verify that all amounts are accurate and agree to supporting documentation.

FINDING NUMBER 2018-006

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:

- 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.

Due to a lack of controls over advances, 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. Additionally, in 2017, the Village advanced funds in the amount of \$1,000 from the Fire Apparatus Special Revenue Fund to the General Fund. No formal approval to advance these funds was noted in the minutes. The accompanying financial statements have been adjusted to correct this unauthorized advance.

Council should make a determination as to whether or not the advance will be repaid to the General Fund. If it is determined the advance will 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 2018-007

Material Weakness and Noncompliance

Ohio Rev. Code § 5705.10(F) requires revenue received from the sale of a permanent improvement to be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. **Ohio Rev. Code § 5705.01(E)** defines "permanent improvement" or "improvement" to mean any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more.

In 2017, the Village sold a fire truck for \$10,000. The Village inappropriately recorded the proceeds from the sale of the fire truck as sale of capital assets in the Fire Apparatus Special Revenue Fund instead of the Capital Projects Fund. The accompanying financial statements and accounting records have been adjusted to correct this misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities.

The Village should implement controls to help ensure all transactions are reviewed and posted to the proper funds.

Officials' Response: We did not receive a response from Officials to these findings.

VILLAGE OF RIDGEWAY

103 South Main Street

P.O. Box 23

Ridgeway, Ohio 43345

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Finding was first issued in the 2006-2005 audit. Material Weakness due to errors over financial reporting.	Not corrected and repeated as Finding 2018-005.	Recurrence due to inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. Village Council will perform detailed reviews of financial information to ensure monies are properly posted.
2016-002	Finding was first issued in the 2012-2011 audit. Material Weakness due to bank balances in the system not including the balances of the Village's certificates of deposit and unsupported other adjusting factors.	Not corrected and repeated as Finding 2018-002.	Recurrence due to incomplete and unsupported other adjusting factors on the Village's bank reconciliations. Village Council will perform more detailed review of bank reconciliations to ensure all information is complete/accurate.
2016-003	Finding was first issued in the 2006-2005 audit. Significant Deficiency due to outstanding advance not being repaid.	Not corrected and repeated as Finding 2018-006.	Recurrence due to the advance not being repaid to the general fund. Village Council will determine if the advance will be repaid.
2016-004	Finding was first issued in the 2012-2011 audit. Noncompliance and Significant Deficiency due to the Village failing to transfer the minimum required amount to the sinking fund and failing to establish the required surplus fund	Not corrected and repeated as Finding 2018-003.	Recurrence due to the Village failing to allocate money to the sinking and surplus funds, as required by the Bond agreement. Village Council will monitor the funding of all required funds.
2016-005	Finding was first issued in the 2016-2015 audit. Noncompliance due to a negative fund balance in the Village's capital projects fund.	Fully corrected	

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OHIO AUDITOR OF STATE
KEITH FABER



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
MAY 26, 2020**