

**Village of Ridgeway
Financial Statements
December 31, 2006 and 2005**



Mary Taylor, CPA

Auditor of State

Honorable Mayor and Members of Council
Village of Ridgeway
103 South Main Street
P. O. Box 23
Ridgeway, Ohio 43345

We have reviewed the *Independent Auditors' Report* of the Village of Ridgeway, Hardin County, prepared by Taylor, Applegate, Hughes and Associates, Ltd., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 2, 2007

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

THIS PAGE INTENTIONALLY LEFT BLANK

Village of Ridgeway
Financial Statements
December 31, 2006 and 2005

Table of Contents

<u>Title</u>	<u>Page</u>
Report of Independent Accountants	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances –all Governmental Fund Types For the Year Ended December 31, 2006	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances- Proprietary Fund Type and Similar Fiduciary Fund For the Year Ended December 31, 2006	2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the year Ended December 31, 2005	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type and Similar Fiduciary Fund For the Year Ended December 31, 2005	4
Notes to the Financial Statements	5-13
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	14-15

THIS PAGE INTENTIONALLY LEFT BLANK



Keith O. Applegate, CPA

Kathleen M. Hughes, CPA

Richard R. Taylor, CPA
(1931-1998)

Julie L. Griffin, CPA

Kristi L. Leeth, CPA

Valerie Friley Walker, CPA

Sara M. Bratka, CPA

INDEPENDENT AUDITORS' REPORT

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

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Ridgeway, Hardin County, Ohio, (the Village), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governmental units to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in

629 E. High Street
Springfield, Ohio 45505

phone 937.325.1538
fax 937.325.8242
cpa@applegatehughes.com

conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or their changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2006 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 22, 2007 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Taylor, Applegate, Hughes and Associates, Ltd.
June 22, 2007

VILLAGE OF RIDGEWAY

HARDIN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND

CASH BALANCES - ALL GOVERNMENTAL FUNDS TYPES

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Governmental Fund Types</u>				<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>(Memorandum Only)</u>
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 5,301	\$ 7,917	\$ -	\$ -	\$ 13,218
Municipal Income Tax	34,844	-	-	-	34,844
Intergovernmental Receipts	4,048	17,273	8,000	-	29,321
Charges for services	1,261	4,076	-	-	5,337
Fines, licenses, and permits	1,198	-	-	-	1,198
Interest	956	583	-	4	1,543
Miscellaneous	-	8,265	-	-	8,265
Total Cash Receipts	<u>47,608</u>	<u>38,114</u>	<u>8,000</u>	<u>4</u>	<u>93,726</u>
Cash Disbursements:					
Current:					
Security of persons and property	4,475	24,971	-	-	29,446
Public health services	7,085	-	-	-	7,085
Leisure time activities	-	935	-	-	935
Basic Utility Services	404	-	-	-	404
Transportation	-	13,396	-	-	13,396
General government	22,178	72	-	-	22,250
Capital Outlay	-	-	8,000	-	8,000
Debt Service	2,059	-	-	-	2,059
Total Cash Disbursements	<u>36,201</u>	<u>39,374</u>	<u>8,000</u>	<u>-</u>	<u>83,575</u>
Total receipts over/(under) disbursements	<u>11,407</u>	<u>(1,260)</u>	<u>-</u>	<u>4</u>	<u>10,151</u>
Other financing receipts/(disbursements):					
Other Financing Sources	<u>68</u>	<u>1,965</u>	<u>-</u>	<u>-</u>	<u>2,033</u>
Total other financing receipts/(disbursements)	<u>68</u>	<u>1,965</u>	<u>-</u>	<u>-</u>	<u>2,033</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	<u>11,475</u>	<u>705</u>	<u>-</u>	<u>4</u>	<u>12,184</u>
Fund cash balances January 1, 2006	\$ 16,578	\$ 93,906	\$ -	\$ 299	\$ 110,783
Fund cash balances, December 31, 2006	<u>\$ 28,053</u>	<u>\$ 94,611</u>	<u>\$ -</u>	<u>\$ 303</u>	<u>\$ 122,967</u>
Reserve for encumbrance, December 31, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - PROPRIETARY FUNDS TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary Funds	Total
	Enterprise	(Memorandum Only)
Cash Receipts:		
Miscellaneous	\$ -	\$ -
Total Cash receipts	-	-
Cash Disbursements:		
Personal services	4,528	4,528
Supplies and Materials	2,180	2,180
Total Cash Disbursements	6,708	6,708
Operating Income/(loss)	(6,708)	(6,708)
Non-operating cash receipts and disbursements:		
Proceeds from loans	126,984	126,984
Capital Outlay	(113,984)	(113,984)
Special Assessments	34,210	34,210
Total non-operating cash receipts and disbursements	47,210	47,210
Net receipts over/(under) disbursements	40,502	40,502
Fund cash balances, January 1, 2006	\$ 22,567	\$ 22,567
Fund cash balances, December 31, 2006	\$ 63,069	\$ 63,069
Reserve for encumbrance, December 31, 2006	\$ 13,000	\$ 13,000

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

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUNDS TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$ 4,608	\$ 7,497	\$ 12,105
Municipal Income Tax	27,770	-	27,770
Intergovernmental	6,473	18,711	25,184
Charges for services	1,323	1,413	2,736
Fines, licenses, and permits	1,187	-	1,187
Interest	450	325	775
Miscellaneous	-	610	610
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	41,811	28,556	70,367
Cash Disbursements:			
Current:			
Security of persons and property	4,301	10,532	14,833
Public health services	4,962	-	4,962
Basic Utility Services	1,937	-	1,937
Transportation	-	16,680	16,680
General government	19,563	119	19,682
Debt Service	6,610	-	6,610
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	37,373	27,331	64,704
Total receipts over/(under) disbursements	<hr/>	<hr/>	<hr/>
	4,438	1,225	5,663
Other financing receipts/(disbursements):			
Other Financing Sources	2,305	-	2,305
Sale of Fixed Assets	-	2,500	2,500
	<hr/>	<hr/>	<hr/>
Total other financing receipts/(disbursements)	2,305	2,500	4,805
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements			
	<hr/>	<hr/>	<hr/>
	6,743	3,725	10,468
Fund cash balances, January 1, 2005	\$ 9,835	\$ 90,181	\$ 100,016
Fund cash balances, December 31, 2005	<hr/>	<hr/>	<hr/>
	\$ 16,578	\$ 93,906	\$ 110,484
Reserve for encumbrance, December 31, 2005	<hr/>	<hr/>	<hr/>
	\$ 63	\$ 6	\$ 69

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

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - PROPRIETARY FUNDS TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Funds	Fiduciary Funds	Total
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Cash Receipts:			
Charges for Services	\$ -	\$ -	\$ -
Miscellaneous	-	2	2
	<hr/>	<hr/>	<hr/>
Total Cash receipts	-	2	2
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Personal services	4,353	-	4,353
Supplies and Materials	1,272	-	1,272
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	5,625	-	5,625
	<hr/>	<hr/>	<hr/>
Operating Income/(loss)	(5,625)	2	(5,622)
	<hr/>	<hr/>	<hr/>
Non-operating cash receipts and disbursements:			
Proceeds from loan	46,591	-	46,591
Capital Outlay	(46,062)	-	(46,062)
Special Assessments	27,663	-	27,663
	<hr/>	<hr/>	<hr/>
Total non-operating cash disbursements	28,192	-	28,192
	<hr/>	<hr/>	<hr/>
Net receipts over/(under) disbursements	22,567	2	22,570
	<hr/>	<hr/>	<hr/>
Fund cash balances, January 1, 2005	\$ -	\$ 297	\$ 297
Fund cash balances, December 31, 2005	<u>\$ 22,567</u>	<u>\$ 299</u>	<u>\$ 22,866</u>
Reserve for encumbrance, December 31, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Village of Ridgeway, Hardin County, (the Village) is a body corporate and politic 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 governs the Village. The Village provides general governmental services, street maintenance and cemetery maintenance. The Village contracts with the Hardin County Sheriff's department to provide security of persons and property. The Village supports a volunteer fire department through the Special Revenue Fire Apparatus Fund.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. The village does not utilize the encumbrance method of accounting, as prescribed by law. Therefore, budgetary presentations report budgetary expenditures when an expenditure is made rather than when an encumbrance is approved.

These statements include adequate disclosures of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

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

D. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant special Revenue Funds:

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

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

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

Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following Capital Project Fund:

2006 Volunteer Fire Department Grant - The Ridgeway Fire Department received a grant from the Ohio Department of Commerce, Division of State Fire Marshall, to be used to purchase a cascade system and two air packs.

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant enterprise funds:

Sewer Operating Fund – This fund's revenue is derived from a monthly assessment on customers. The revenue will be used for payment of debt and will be used for maintenance of the sewer plant when it becomes operational.

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds.

**VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Bailey Cemetery Bequest Fund – This fund is a non-expendable trust fund and accounts for funds that were donated and are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

The fund was changed from a non-expendable fund classification to a permanent fund classification per Ohio Auditor of State Bulletin 2005-005 beginning January 1, 2006.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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 council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

2. Equity in Pooled Cash and Investments

The Village maintains a cash and investments pool used by all funds. The Ohio Revised code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2006	2005
Demand Deposits	\$ 185,733	\$ 121,571
Savings Account	303	299
Certificates of Deposit	<u>0</u>	<u>11,480</u>
Total deposits and investments	<u>\$ 186,036</u>	<u>\$ 133,350</u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) covered by specific collateral held by third party trustees.

3. Budgetary Activity

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled and re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law. Adjustments were made to the budgetary activity in order to accurately present estimated receipts as Certified by the County Budget Commission.

Budgetary activity for the year ending December 31, 2006, was as follows:

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Estimated Revenues</u> <u>Plus Carryover</u> <u>Balance</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 79,152	\$ 47,676	\$ (31,476)
Special Revenue	119,443	48,078	(71,365)
Enterprise	155,927	161,194	5,267
Fiduciary	<u>301</u>	<u>4</u>	<u>(297)</u>
Total	<u>\$ 354,823</u>	<u>\$ 256,952</u>	<u>\$ (97,871)</u>

**VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 47,048	\$ 36,201	\$ 10,847
Special Revenue	48,103	47,374	729
Enterprise	113,538	133,691	(20,153)
Fiduciary	<u>5</u>	<u>0</u>	<u>5</u>
Total	<u>\$ 208,694</u>	<u>\$ 217,266</u>	<u>\$ (8,572)</u>

Budgetary activity for the year ending December 31, 2005, was as follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Estimated Revenues Plus Carryover Balance</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 56,807	\$ 44,117	\$ (12,690)
Special Revenue	124,415	31,056	(93,359)
Enterprise	25,220	74,254	49,034
Fiduciary	<u>300</u>	<u>2</u>	<u>(298)</u>
Total	<u>\$ 206,742</u>	<u>\$ 149,429</u>	<u>\$ (57,313)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 45,320	\$ 37,437	\$ 7,883
Special Revenue	52,451	27,337	25,114
Enterprise	156,600	51,687	104,913
Fiduciary	<u>2</u>	<u>0</u>	<u>2</u>
Total	<u>\$ 254,373</u>	<u>\$ 116,461</u>	<u>\$ 137,912</u>

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback

**VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

4. Property Tax (Continued)

deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to

the county by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

5. Income Tax

The Village levies a one half percent income tax 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 are required to withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Wastewater Planning and Design Loan	\$182,725	5.09%

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Wastewater Design Loan	\$52,072	5.00%

In 2005, the Village of Ridgeway was approved for a loan from the Ohio Water Development Authority (OWDA) in the amount of \$150,000. Principal amounts of \$98,388 and \$51,612 were received by the Village in 2006 and 2005, respectively. During 2006, the Village was approved for another loan from OWDA totaling \$200,000. The loan consisted of the original \$150,000 plus an additional \$50,000. The proceeds of the loan are to be used towards the building of a wastewater treatment plant.

The Ohio Water Development Authority (OWDA) loans have not been fully disbursed as of December 31, 2006 and thus a debt requirement schedule has not been presented. The OWDA will provide an amortization schedule upon the loans being fully disbursed.

**VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

7. Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. The plan provides retirement benefits, including post retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. For 2006, OPERS members paid 9% of their gross salaries. The Village contributed an amount equal to 13.70% of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

8. Social Benefit Plan

The elected officials, with the exception of the Village Mayor, Financial Officer, and Village Solicitor, contribute 6.2% of their gross salaries to Social Security. The Village contributed an amount equal to 6.2% of participant's gross salaries. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2006 and 2005, these officials contributed gross salaries through December 31, 2005. The Village has outstanding contributions to Internal Revenue Service of \$112 as of December 31, 2006.

9. Risk Management

Risk Pool Membership

Until November 1, 2005, the Village belonged to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to re-insurers or excess re-insurers. The Pool is contingently liable should any re-insurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2005.

	<u>2005</u>
Assets	\$2,063,636
Liabilities	<u>(3,279,694)</u>
Retained deficit	<u><u>(\$1,216,058)</u></u>

**VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

9. Risk Management (Continued)

Commercial Insurance

The Village switched to a commercial carrier beginning November 1, 2005 and has obtained commercial insurance for the following risks:

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

Workers' Compensation

For fiscal year 2006 and 2005, the Village participated in the Ohio Municipal League Workers' Compensation Group Rating Program (GRP), and insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Village by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating municipalities is calculated as one experience and a common premium rate is applied to all municipalities in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to municipalities that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

10. Fund Cash Balances

The General Fund Cash Balance at January 1, 2005 reflects a decrease of \$22 from the General Fund Cash Balance at December 31, 2004 on the December 31, 2004 and 2003 audited financial statements.

The Special Revenue Fund Cash Balance at January 1, 2005 reflects an increase of \$19 from the Special Revenue Fund Cash Balance at December 31, 2004 on the December 31, 2004 and 2003 audited financial statements.

The Non-Expended Trust Fund Cash Balance at January 1, 2005 reflects an increase of \$3 from the General Fund Cash Balance at December 31, 2004 on the December 31, 2004 and 2003 audited financial statements.

The Fiscal Officer did not have sufficient information from the prior audit to make a determination as to the unadjusted discrepancies. These differences are immaterial to the overall financial statement presentation.

**VILLAGE OF RIDGEWAY
HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

11. Subsequent Event

During July 2006, the Village was approved for a \$1,027,000 loan and an \$823,000 grant from the United States Department of Agriculture (USDA) Rural Development program. The disbursement of loan monies is contingent upon evidence of commitments provided to the government for a \$315,000 grant from the Ohio Public Works Commission, a \$35,000 loan at 0% interest from the Ohio Public Works Commission, a \$500,000 Community Development Block Grant from the Ohio Department of Development/OHCP, and \$40,000 from the Ohio Public Works Commission for Interest Assistance. In addition, both loan and grant monies are to be disbursed when the construction phase begins which will not be until sometime during 2007.

During August 2006, the Village was approved for a \$200,000 loan from the Ohio Water Development Authority (OWDA). The loan is described in Note 6 to the Financial Statements. Repayment for this loan does not begin until 2008.

The proceeds of both loans are to be used towards the building of a wastewater treatment plant. The Village plans to assess user fees to help repay these loans.

During late December 2006, the Village was awarded a \$190,000 grant from the U.S. Department of Homeland Security through the Assistance to Firefighters Grant program to purchase a fire truck for the Village. Bid contracts were awarded in January 2007 for the new fire truck.

During February 2007, the Village granted a cable television franchise to Time Warner Cable for a period of ten (10) years. The Village is to receive three percent (3%) of Time Warner Cable's gross revenues (franchise fee) to be paid March 1 of each year for the previous calendar year. The franchise fee is deemed to reimburse the Village for the rights granted and for all costs of regulation and administration of the franchise.

**Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards***

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

To the Honorable Mayor and Village Council:

We have audited the financial statements of the Village of Ridgeway, Hardin County, Ohio (the Village) as of and for the years ended December 31, 2006, and December 31, 2005, and have issued our report thereon dated June 22, 2007 wherein we noted the Village of Ridgeway prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Village as of and for the years ended December 31, 2006 and 2005, in accordance with auditing standards generally accepted in the United State of America, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial

Internal Control Over Financial Reporting (continued)

statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-01, 2006-02, 2006-03, 2006-04, 2006-05, 2006-06, 2006-07, 2006-08, 2006-09, and 2006-10.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

We believe significant deficiencies 2006-01, 2006-02, 2006-03, and 2006-04 described above are material weaknesses.

We noted other matters involving the internal control over financial reporting, which we have reported to management of the Village in a separate letter dated June 22, 2007.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is disclosed in the accompanying Schedule of Findings as items 2006-11 thru 2006-14.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated June 22, 2007.

This communication is intended solely for the information and use of the Village council and management, and is not intended to be and should not be used by anyone other than these specified parties.

Taylor, Applegate, Hughes and Associates, Ltd.
June 22, 2007

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006 – 01

Significant Deficiency/Material Weakness

Appropriations Exceeding Estimated Revenues

Ohio Rev. Code Section 5705.39 requires that the total appropriation from each fund should not exceed the total estimated revenue/resources. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official certificate. The following Village funds had appropriations which exceeded the total official estimate or amended official estimate.

<u>Fiscal Year 2005</u>	<u>Appropriation</u>	<u>Estimated Revenues</u>	<u>Variance</u>
Sewer Fund	\$ 156,600	\$ 25,220	\$(131,380)

Procedures should be implemented to routinely compare this activity and make any necessary amendments to reduce the possibility of the Village incurring obligations without adequate financial resources.

Client Response: The monies for the sewer project were received later in the year after the estimated revenues had been approved. The Village Fiscal Officer overlooked the estimated revenues amendment. In the future, the Village Fiscal Officer will amend the estimated revenues to coincide with the approved appropriations.

FINDING NUMBER 2006 – 02

Significant Deficiency/ Material Weakness

Expenditures Exceeding Appropriations

Ohio Rev. Code Section 5705.41(B) states that “no subdivision or taxing unit is to expend money unless it has been appropriated”. The following Village funds had expenditures which exceeded appropriations:

<u>Fiscal Year 2006</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Variance</u>
Enterprise Fund	\$ 113,538	\$ 133,691	\$ (20,153)

Expenditures Exceeding Appropriations (Continued)

Procedures should be implemented to routinely compare this activity and make any necessary amendments to reduce the possibility of overspending Village resources.

Client Response: The monies for the sewer project were received later in the year after the appropriations had been approved. The Village Fiscal Officer overlooked filing for an amended appropriations certificate to coincide with expected sewer project expenditures. In the future, the Village Fiscal Officer will amend the appropriations as necessary.

FINDING NUMBER 2006 – 03

Significant Deficiency/Material Weakness

Posting Estimated Revenues

Ohio Rev. Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

The Village recorded amounts in the Uniform Accounting Network (UAN) System for 2006 and 2005 that exceeded the last known amended official certificate of estimated resources. There is no indication that an additional amended certificate of estimated resources request was submitted and approval obtained for such. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as Certified by the County Budget Commission.

Procedures should be implemented to make sure that additional amended certificates of estimated resources are requested as necessary and that the amounts from the most recent amended official certificate of estimated resources coincides with those recorded in the UAN System.

Client Response: The Village Fiscal Officer was not aware that she could file additional amendments of certificates of estimated resources. She is also aware that she did not record prior changes from previously approved amended certificates of estimated resources into the Uniform Accounting Network (UAN) system. She is planning to implement these changes in the future.

FINDING NUMBER 2006-04

Significant Deficiency/Material Weaknesses

Appropriate Classification of Recorded Receipts and Expenditures

During 2006 and 2005, several instances were noted where receipts and expenditures were not

Appropriate Classification of Recorded Receipts and Expenditures (Continued)

posted into accurate classifications. For instance, 2005 receipts for municipal income taxes were recorded as special assessments instead of municipal income taxes. A \$150,000 OWDA grant award received in 2005 and 2006 was recorded as special assessments instead of proceeds from loan.

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

Client Response: The Village Fiscal Officer has obtained the Ohio Village Handbook and plans to use it as a future reference for classifying transactions.

FINDING NUMBER 2006 – 05

Significant Deficiency

Amending Payroll Reports

The 2005 and 2006 Form W-2s and W-3 are reporting incorrect amounts of Medicare withholding. The Village Solicitor did not have Medicare withheld from his wages. All employees are required to have Medicare withheld from their earnings.

In addition, the amount of wages subject to Medicare is incorrect on the quarterly Form 941s for 2005 and 2006, indicating an underpayment for Medicare employee withholdings and employer contributions. Also, the “Retirement Plan” box was not marked on the W-2s of those employees who contributed to the Public Employees Retirement System (PERS). These errors or omissions in reporting proper wage and withholding amounts on the specified reporting forms puts the Village at risk for penalties from taxing authorities.

We recommend that corrected W-2s and W-3s be prepared for the Village Solicitor for Medicare wages received in 2005 and 2006 with the appropriate Medicare tax withholdings and contributions reported. Corrected Form 941s should be prepared for every quarter of 2005 and 2006 that reflects the inclusion of the Village Solicitor's wages and Medicare tax employee withholdings and employer contributions. The corrected W-2s should also have the “Retirement Plan” box marked. We also noted during our audit that the annual wage amounts reported on the W-3, the quarterly Form 941s and the Regional Income Tax Agency Form 17 did not agree with one another. We recommend that the Village Fiscal Officer make sure that all year-end reports reflect agreement with each other for annual wage totals before submitting them.

Client Response: The Village Fiscal Officer has begun appropriate Medicare withholdings for the Village Solicitor.

FINDING NUMBER 2006 – 06

Significant Deficiency

Unrecorded Advance

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

In 2005, the Village Fiscal Officer purchased a computer, printer, billing software program, and preprinted statements 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 that a resolution was passed to advance these monies from the General Fund for items for the Sewer Fund. Lack of appropriate documentation creates an inability to appropriately monitor temporary transfers of monies between funds. We recommend that if similar circumstances were to occur in the future that meet the above criteria, that a resolution authorizing an advance be passed as outlined above and the advance be recorded as such in the UAN system.

Client Response: Management has agreed to begin authorizing advances via a formal resolution.

FINDING NUMBER 2006 – 07

Significant Deficiency

Filing of Bureau of Workers' Compensation Reports

We noted during our audit that the Bureau of Workers' Compensation report for 2004 that was filed in 2005 was filed and paid after January 31. Because the form and payment were remitted late, the Village lost the discount. The Bureau of Workers' Compensation report for 2005 filed in 2006 was underpaid by \$597.01. Untimely filings and underpayment of amounts due puts the Village at risk for penalties from taxing authorities. In addition, it could also jeopardize the Village's ability to stay within the group rating plan with Gates McDonald. If the Village were to lose their ability to stay within a group rating plan, they would pay higher premiums to the Bureau of Workers' Compensation. We recommend that the Village Fiscal Officer file these

Filing of Bureau of Workers' Compensation Reports (Continued)

reports in a timely manner and pay all amounts due in full to avoid undue penalties and risk losing their group rating plan with Gates McDonald.

Client Response: The Village Fiscal Officer plans to file and pay Bureau of Workers' Compensation premiums timely.

FINDING NUMBER 2006 – 08

Significant Deficiency

Recording of Receipts

We noted during our audit that a check dated April 12, 2005 that had been disbursed by the Hardin County Auditor was not recorded in the UAN system as having been received until June 24, 2005. A similar circumstance occurred with a check dated May 11, 2005 from the Hardin County Auditor that was not recorded in the UAN system as having been received until June 24, 2005. It is unclear as to when the checks were actually deposited into the bank. Untimely recording of intergovernmental receipts produces unreliable financial information upon which others rely upon and may require unnecessary financial decisions to be made.

We recommend that all intergovernmental receipts be deposited promptly when received and recorded in the Uniform Accounting Network (UAN) system at that time. The Village Fiscal Officer might also want to check to see if the Hardin County Auditor would be willing or able to electronically deposit the Village's funds.

Client Response: The Village Fiscal Officer believes the checks arrived late since receipts are deposited every Thursday by her but she is not certain.

FINDING NUMBER 2006 – 09

Significant Deficiency

Depository Agreement

The depository agreement for public funds with the Mount Victory State Bank in Mount Victory, Ohio with the Village of Ridgeway is vague as to the exact amount they will insure the Village of deposited over the amount insured by the Federal Deposit Insurance Corp., the following:

Depository Agreement (Continued)

U.S. Government Bonds, Ohio Municipal Bonds, Real Estate First Mortgages. Inappropriate insurance coverage of public funds places the Village at possible risk should there be a problem with Ridgeway's public funds. The agreement indicates that they will insure the Village to the extent of the maximum amount of one hundred thousand dollars (\$100,000) in accordance with the provisions of the Uniform Depository Act; "and will furnish, as security for funds with the bank that the Village's public funds are deposited into. We recommend that the agreement with the Mount Victory State Bank in Mount Victory, Ohio be revised to reflect a specific amount that the Village's public funds will be insured up to.

We also noted that Ordinance Number 2176 passed February 10, 2006 did not coincide with the depository agreement. The Ordinance indicated insuring active public fund deposits for seventy-five thousand dollars (\$75,000) and insuring inactive public fund deposits for the same amount. The Ordinance does not reflect the depository agreement. We recommend revising either the depository agreement or the Ordinance or both to reflect the specific amount necessary for the insuring of public funds for the Village of Ridgeway.

The current depository agreement is for a period of not more than two years. **Ohio Revised Code Section 135.12** requires the governing body designate an eligible depository for a five year period. We recommend that when the depository agreement is revised, the agreement period be revised to reflect this requirement as well.

Client Response: Management will revise the depository agreement to cover a five year, rather than a two year, period when it is due again for renewal. Management is also working on revising their depository agreement to make sure there is adequate coverage for the Village's public funds deposits.

FINDING NUMBER 2006-10

Significant Deficiency

Duplicate Ordinance Numbers

We noted during our audit that there were two Ordinance numbers 2169 dated April 12, 2005 and August 9, 2005. We also noted that there were two Ordinance numbers 2172 dated for September 13, 2005 and December 15, 2005. This creates confusion in the Village's recordkeeping and documentation process making it difficult to trace items that may be in question. We recommend that a master list of numbered Ordinances and Resolutions be kept in a binder along with the signed Ordinances and Resolutions.

Client Response: The Village Fiscal Officer has prepared a master list for all Ordinances and Resolutions. This is being kept in a binder along with copies of the signed Ordinances and Resolutions.

FINDING NUMBER 2006 – 11

Ohio Rev. Code, Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, effective September 26, 2003) against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2006 and 2005, the Village did not properly certify the availability of funds prior to purchase commitment for 1.4% and 1.7%, respectively, of the expenditures and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

FINDING NUMBER 2006 – 11
(continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village Fiscal Officer should certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The Village should also establish a dollar amount for blanket purchase orders via a resolution. Failure to establish a dollar amount for blanket purchase orders could result in overspending and misappropriation of funds. We recommend that Council establish a dollar amount for blanket purchase orders via a resolution in the minutes.

Client Response: The Village Fiscal Officer has decided to use Then & Now Certificates to mitigate the above finding. The Village Council will also establish a dollar amount via resolution for future blanket purchase orders.

FINDING NUMBER 2006 – 12

Ohio Rev. Code Section 5705.28 requires that on or before July 15 in each year, the taxing authority of each subdivision or other taxing unit adopt a tax budget for the next succeeding fiscal year. The Village's tax budget for fiscal year 2006 was not adopted by the Council until August 9, 2005.

Procedures should be developed and implemented to provide for timely adoption and submission of the tax budget.

Client Response: Since the Village Council meets only once a month and they met after the tax budget deadline, the Village Fiscal Officer has decided to either call a special meeting to deal with this issue or try to remember to schedule the item for the June Council meeting.

FINDING NUMBER 2006 – 13

Ohio Rev. Code Section 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. For the fiscal year 2006, the Village did not appear to have filed certificates to amend appropriations to expend excess revenues resulting in Finding 2006-002.

FINDING NUMBER 2006 – 13
(continued)

The Village should file a certificate to amend appropriations to expend excess revenues with the county auditor before proceeding to expend such excess revenues. The Village should also obtain an amended certificate of estimated resources before making an amended appropriations certificate request.

Client Response: See Finding Number 2006-03 client response.

FINDING NUMBER 2006 – 14

Ohio Rev. Code Section 9.38 requires public officials to deposit all public monies received with the treasurer of the public office or properly designated depository on the next business day following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount does not exceed \$1,000, the public official shall deposit the money on the next business day following the day of receipt unless the legislative authority of the public office adopts a policy permitting a different time period. The alternate time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the monies until the time of deposit. When designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies, ensure that accounting records are properly designed, ensure adequate security of assets and records, and plan for adequate segregation of duties or compensating controls.

The Village Fiscal Officer did not deposit sewer fund receipts timely. Failure to deposit receipts in a timely manner could increase the risk factors for misappropriation of monies. We recommend that the Fiscal Officer deposit all funds in a timely manner as prescribed above and implement procedures to safeguard monies until deposited.

Client Response: Village Fiscal Officer has another job where she works four days a week and is able to make deposits only on Thursdays or the weekends.

Inaccurate Tax Reporting

26 U.S.C. Sections 3401 through 3406 govern the collection of income taxes, including the withholding and reporting of these matters to the appropriate tax authorities.

- The W-2s prepared for the Village Solicitor for 2005 and 2006 contained errors. The Village Solicitor's wages were subject to Medicare withholdings but none were withheld from his wages. Furthermore, The Village Solicitor lives in an Ohio school district and school district tax was not withheld from his wages.

Inaccurate Tax Reporting (Continued)

- The Village Solicitor's wages were not included in the quarterly Form 941s that were filed for 2005 and 2006.
- Employee withholdings and employer contributions for Medicare should have been recorded and paid in the quarterly Form 941s that were filed for 2005 and 2006.
- For both years, the "Retirement Plan" box was not marked for those employees participating in the Ohio Public Employment Retirement System.

The Village should institute procedures to provide that all tax requirements are met to prevent the assessment of interest and penalties and to provide for accurate reporting for its employees and contractors.

Client Response: The Village Fiscal Officer was under the impression that the Village Solicitor was considered a service contractor and was honoring the contract's agreement by withholding Public Employees Retirement System (PERS) only. She was unaware that only employees earning W-2 wages, and not service contractors who are issued 1099s on which to report their service earnings, were entitled to PERS. She was also unaware of the other withholding requirements as a result of reporting the Village Solicitor's earnings on a Form W-2. She is planning on making all corrections to the 2005 and 2006 quarterly Form 941s and W-2s and W-3. She will also be making withholding corrections regarding the School District Income tax and Medicare employee withholdings and employer contributions for the current year.

VILLAGE OF RIDGEWAY
HARDIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	O.R.C. Sec. 5705.39 - Appropriations Not to Exceed Revenue	No	Not corrected-reissued as Finding 2006-01
2004-002	O.R.C. Sec. 5705.41(D) - Certification Of Funds	No	Not corrected-reissued as Finding 2006-11



Mary Taylor, CPA
Auditor of State

VILLAGE OF RIDGEWAY

HARDIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 16, 2007**