

**VILLAGE OF RICHWOOD
UNION COUNTY, OHIO**

FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

Wolf, Rogers, Dickey & Co.
Certified Public Accountants



Mary Taylor, CPA

Auditor of State

Village Council
Village of Richwood
286 South Franklin Street
Richwood, Ohio 43344

We have reviewed the *Independent Auditors' Report* of the Village of Richwood, Union County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 2006 through December 31, 2007. 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 Richwood is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 21, 2009

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Village of Richwood
Union County, Ohio

For the Years Ended December 31, 2007 and 2006

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Independent Auditors' Report

Village of Richwood
Union County, Ohio

To the Village Council:

We have audited the accompanying financial statements of the Village of Richwood, Union County, Ohio (the Village) as of and for the years ended December 31, 2007 and 2006. 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 audits.

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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable 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 of Richwood, Union County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, the Village restated its beginning cash balance for the audit period for the special revenue and enterprise funds.

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 our report dated July 14, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

July 14, 2008

Village of Richwood
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2007

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:				
Property and local taxes	\$ 636,476	12,604	-	649,080
Intergovernmental	30,300	124,241	79,749	234,290
Charges for services	9,507	1,855	-	11,362
Fines, licenses and permits	16,499	6,000	-	22,499
Earnings on investments	55,100	1,788	-	56,888
Other	<u>28,763</u>	<u>14,381</u>	<u>-</u>	<u>43,144</u>
Total cash receipts	<u>776,645</u>	<u>160,869</u>	<u>79,749</u>	<u>1,017,263</u>
Cash disbursements:				
Current:				
Security of persons and property	414,884	249	-	415,133
Leisure time activities	-	26,618	-	26,618
Transportation	-	115,305	-	115,305
General government	117,990	-	-	117,990
Capital outlay	<u>12,716</u>	<u>24,819</u>	<u>105,269</u>	<u>142,804</u>
Total cash disbursements	<u>545,590</u>	<u>166,991</u>	<u>105,269</u>	<u>817,850</u>
Total receipts over (under) disbursements	<u>231,055</u>	<u>(6,122)</u>	<u>(25,520)</u>	<u>199,413</u>
Other financing receipts (disbursements):				
Transfers out	(61,011)	-	-	(61,011)
Transfers in	-	55,796	5,215	61,011
Other financing uses	<u>(814)</u>	<u>-</u>	<u>-</u>	<u>(814)</u>
Total other financing receipts (disbursements)	<u>(61,825)</u>	<u>55,796</u>	<u>5,215</u>	<u>(814)</u>
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	169,230	49,674	(20,305)	198,599
Fund cash balances, beginning of year	<u>289,886</u>	<u>321,293</u>	<u>124,340</u>	<u>735,519</u>
Fund cash balances, end of year	\$ <u>459,116</u>	<u>370,967</u>	<u>104,035</u>	<u>934,118</u>
Reserve for encumbrances	\$ <u>5,663</u>	<u>1,418</u>	<u>-</u>	<u>7,081</u>

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

Village of Richwood
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances – Proprietary Fund Type and Fiduciary Fund Type
For the Year Ended December 31, 2007

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	Totals (Memorandum Only)
Operating cash receipts:			
Charges for services	\$ <u>729,510</u>	<u>-</u>	<u>729,510</u>
Operating cash disbursements:			
Personal services	197,510	-	197,510
Employee fringe benefits	101,457	-	101,457
Contractual services	123,754	-	123,754
Supplies and materials	<u>67,760</u>	<u>-</u>	<u>67,760</u>
Total operating cash disbursements	<u>490,481</u>	<u>-</u>	<u>490,481</u>
Operating income	239,029	-	239,029
Non-operating cash receipts:			
Miscellaneous receipts	823	-	823
Non-operating cash disbursements:			
Redemption of principal	50,680	-	50,680
Interest and other fiscal charges	62,660	-	62,660
Capital outlay	<u>42,908</u>	<u>-</u>	<u>42,908</u>
Total non-operating cash disbursements	<u>156,248</u>	<u>-</u>	<u>156,248</u>
Net receipts over disbursements	83,604	-	83,604
Fund cash balances, beginning of year	<u>806,726</u>	<u>11,208</u>	<u>817,934</u>
Fund cash balances, end of year	\$ <u>890,330</u>	<u>11,208</u>	<u>901,538</u>
Reserve for encumbrances	\$ <u>6,974</u>	<u>-</u>	<u>6,974</u>

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

Village of Richwood
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:				
Property and local taxes	\$ 622,139	12,658	-	634,797
Intergovernmental	29,340	120,663	221,558	371,561
Charges for services	8,279	1,575	-	9,854
Fines, licenses and permits	14,016	-	-	14,016
Earnings on investments	32,439	1,104	-	33,543
Other	<u>19,744</u>	<u>644</u>	<u>-</u>	<u>20,388</u>
Total cash receipts	<u>725,957</u>	<u>136,644</u>	<u>221,558</u>	<u>1,084,159</u>
Cash disbursements:				
Current:				
Security of persons and property	376,035	-	-	376,035
Leisure time activities	-	32,292	-	32,292
Community environment	1,600	-	-	1,600
Transportation	-	118,148	-	118,148
General government	134,764	-	-	134,764
Capital outlay	<u>6,239</u>	<u>11,082</u>	<u>233,610</u>	<u>250,931</u>
Total cash disbursements	<u>518,638</u>	<u>161,522</u>	<u>233,610</u>	<u>913,770</u>
Total receipts over (under) disbursements	<u>207,319</u>	<u>(24,878)</u>	<u>(12,052)</u>	<u>170,389</u>
Other financing receipts (disbursements):				
Transfers out	(59,152)	-	-	(59,152)
Transfers in	<u>-</u>	<u>30,169</u>	<u>28,983</u>	<u>59,152</u>
Total other financing receipts (disbursements)	<u>(59,152)</u>	<u>30,169</u>	<u>28,983</u>	<u>-</u>
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	148,167	5,291	16,931	170,389
Fund cash balances, beginning of year	<u>141,719</u>	<u>316,002</u>	<u>107,409</u>	<u>565,130</u>
Fund cash balances, end of year	\$ <u>289,886</u>	<u>321,293</u>	<u>124,340</u>	<u>735,519</u>
Reserve for encumbrances	\$ <u>8,249</u>	<u>5,276</u>	<u>-</u>	<u>13,525</u>

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

Village of Richwood
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances – Proprietary Fund Type and Fiduciary Fund Type
For the Year Ended December 31, 2006

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	Totals (Memorandum Only)
Operating cash receipts:			
Charges for services	\$ 657,023	-	657,023
Operating cash disbursements:			
Personal services	145,366	-	145,366
Employee fringe benefits	95,560	-	95,560
Contractual services	121,739	-	121,739
Supplies and materials	<u>47,216</u>	<u>-</u>	<u>47,216</u>
Total operating cash disbursements	<u>409,881</u>	<u>-</u>	<u>409,881</u>
Operating income	<u>247,142</u>	<u>-</u>	<u>247,142</u>
Non-operating cash receipts:			
Miscellaneous receipts	8,410	-	8,410
Non-operating cash disbursements:			
Redemption of principal	47,277	-	47,277
Interest and other fiscal charges	65,012	-	65,012
Capital outlay	<u>76,002</u>	<u>-</u>	<u>76,002</u>
Total non-operating cash disbursements	<u>188,291</u>	<u>-</u>	<u>188,291</u>
Net receipts over disbursements	67,261	-	67,261
Fund cash balances, beginning of year	<u>739,465</u>	<u>11,208</u>	<u>750,673</u>
Fund cash balances, end of year	\$ <u>806,726</u>	<u>11,208</u>	<u>817,934</u>
Reserve for encumbrances	\$ <u><u>7,239</u></u>	<u><u>-</u></u>	<u><u>7,239</u></u>

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

Village of Richwood
Notes to the Financial Statements
December 31, 2007 and 2006

(1) Summary of Significant Accounting Policies

Description of the Entity

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

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

Accounting Basis

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

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

Cash

The Village values certificates of deposit at cost.

Fund Accounting

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

Governmental Fund Types:

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds account for proceeds from specific sources (other than for capital projects) that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue Fund:

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

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2007 and 2006

(1) Summary of Significant Accounting Policies, continued

Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant capital project funds:

Ohio Public Works Commission Fund – This fund receives grant proceeds from the Ohio Public Works Commission (OPWC) to construct the Village storm water drainage project.

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

Proprietary Fund Types:

Enterprise Funds

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

Water Fund – This fund receives charges for services from residents for water service.

Sewer Fund – This fund receives charges for services from residents for sewer service.

Fiduciary Fund Types:

Agency Fund

Insurance Escrow – This fund holds money for fire damage clean-up of property within the Village.

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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

Estimated Resources

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

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2007 and 2006

(1) Summary of Significant Accounting Policies, continued

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 re-appropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

Property, Plant, and Equipment

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

(2) Fund Reclassification and Other Restatement of Fund Cash Balances

Sewer and water receipts of \$28,706 from 2005 were misclassified to a special revenue fund in the last audit period. These receipts were reclassified to the proper fund as of December 31, 2005. Additionally, a Park Fund bank account that had been open for several years was identified during the audit. The December 31, 2005 balance of this bank account was added to the beginning cash balance of the Park Fund, a special revenue fund. These changes had the following effect on the cash fund balances previously reported for the year ended December 31, 2005:

	<u>Special Revenue</u>	<u>Enterprise</u>
Previously report fund cash balance at December 31, 2005	\$ 338,344	710,759
Reclassification of misclassified receipts	(28,706)	28,706
Addition of Park Fund account balance	<u>6,364</u>	<u>-</u>
Restated fund cash balances at December 31, 2005	\$ <u>316,002</u>	<u>739,465</u>

(3) Equity in Pooled Cash

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 623,422	881,895
Certificates of deposit	289,623	273,420
Star Ohio	<u>922,611</u>	<u>398,138</u>
Total deposits	\$ <u>1,835,656</u>	<u>1,553,453</u>

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2007 and 2006

(3) Equity in Pooled Cash, continued

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

Investments in STAR Ohio are not endorsed by securities that exist in physical or book-entry form. Investments in STAR Ohio are valued at amounts reported by the State Treasurer. Investments are reported as assets. Accordingly, purchase of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements respectively.

Certificates of deposit mature at varying dates through November 2008 and bear interest at 4.55% and 5%.

(4) Budgetary Activity

Budgetary activity for the years ended December 31, 2007 and 2006 follows:

<u>Fund Type</u>	<u>2007 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 727,831	776,645	48,814
Special revenue	232,775	216,665	(16,110)
Capital projects	116,371	84,964	(31,407)
Enterprise	<u>874,297</u>	<u>730,333</u>	<u>(143,964)</u>
Total	\$ <u>1,951,274</u>	<u>1,808,607</u>	<u>(142,667)</u>

<u>Fund Type</u>	<u>2007 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
General	\$ 603,943	613,078	(9,135)
Special revenue	326,775	168,409	158,366
Capital projects	116,371	105,269	11,102
Enterprise	<u>856,420</u>	<u>653,703</u>	<u>202,717</u>
Total	\$ <u>1,903,509</u>	<u>1,540,459</u>	<u>363,050</u>

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2007 and 2006

(4) Budgetary Activity, continued

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	<u>Variance</u>
General	\$ 643,126	725,957	82,831
Special revenue	191,940	166,813	(25,127)
Capital projects	997,000	250,541	(746,459)
Enterprise	<u>794,775</u>	<u>665,433</u>	<u>(129,342)</u>
 Total	 \$ <u>2,626,841</u>	 <u>1,808,744</u>	 <u>(818,097)</u>

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$ 593,745	586,039	7,706
Special revenue	217,899	166,798	51,101
Capital projects	997,000	233,610	763,390
Enterprise	<u>803,276</u>	<u>605,411</u>	<u>197,865</u>
 Total	 \$ <u>2,611,920</u>	 <u>1,591,858</u>	 <u>1,020,062</u>

Contrary to Ohio law, the Village:

- Did not file certificates of estimated resources in a timely manner. Furthermore, the certificates of estimated resources that the Village prepared for 2006 and 2007 were based on inaccurate beginning cash balances for all funds except the Tree Commission Fund and Other Special Revenue Fund.
- Did not file either a temporary or permanent appropriation measure in a timely manner for 2006. Appropriations in the UAN system did not agree to adopted appropriations for 2006 or 2007.
- Adopted appropriations that exceeded total estimated revenue in the State Highway Fund by \$60,084 for 2007.
- Did not obtain a reduced certificate of estimated revenue in 2006 or 2007 when actual receipts were significantly less than budgeted receipts for the Street Maintenance, Enterprise and Capital Projects Funds. Estimated receipts in the UAN system did not agree to the final certificate of estimated resources for all funds except the Enterprise Funds in 2007.
- Did not, in any instance, encumber funds prior to their expenditure.
- Had budgetary expenditures that exceeded appropriation authority by \$9,135 in the General Fund for 2007.
- Failed to record all OPWC activity on its accounting system for 2007 and 2006.

(5) Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation.

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2007 and 2006

(5) Property Tax, continued

Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

(6) Local Income Tax

The Village levies a municipal income tax of one 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. The income tax collection process is administered by the Regional Income Tax Authority. For the years ended December 31, 2007 and 2006, the Village collected \$448,550 and \$434,831, respectively.

(7) Debt Obligations

At December 31, 2007 and 2006, debt obligations consisted of the following issuances:

<u>Description</u>	<u>2007</u>	<u>2006</u>
2002 OPWC for water line improvement, due in semiannual installments of \$2,046 through 2022 at a rate of 0%.	57,294	61,386
2002 OWDA for water system improvements, due in semiannual installments of \$11,404 through 2027.	248,897	255,483
1990 United States Department of Agriculture (USDA) Sanitary Sewerage System Mortgage Revenue Bonds, due in annual installments of varying amounts through 2030 at a rate of 4.5%.	390,000	398,000
1977 General Motors Acceptance Corporation (GMAC) Water System Mortgage Revenue Bonds, due in annual installments of varying amounts through 2017 at a rate of 5.0%.	346,000	372,000
1977 GMAC Sewer System Mortgage Revenue Bonds, due in annual installments of varying amounts through 2017 at a rate of 5.0%.	<u>73,000</u>	<u>79,000</u>
Total debt obligations	\$ <u>1,115,191</u>	<u>1,165,869</u>

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2007 and 2006

(7) Debt Obligations, continued

Transactions for the years ended December 31, 2007 and 2006 are summarized as follows:

2007 <u>Description</u>	Balance at <u>12/31/06</u>	<u>Proceeds</u>	<u>Payments</u>	Balance at <u>12/31/07</u>
OPWC	\$ 61,386	-	4,092	57,294
OWDA – 2002	255,483	-	6,586	248,897
USDA Mortgage Revenue Bonds	398,000	-	8,000	390,000
GMAC Water Mortgage Revenue Bonds	372,000	-	26,000	346,000
GMAC Sewer Mortgage Revenue Bonds	<u>79,000</u>	<u>-</u>	<u>6,000</u>	<u>73,000</u>
Totals	\$ <u>1,165,869</u>	<u>-</u>	<u>50,678</u>	<u>1,115,191</u>

2006 <u>Description</u>	Restated Balance at <u>12/31/05</u>	<u>Proceeds</u>	<u>Payments</u>	Balance at <u>12/31/06</u>
OPWC	\$ 65,478	-	4,092	61,386
OWDA – 2002	261,667	-	6,184	255,483
USDA Mortgage Revenue Bonds	405,000	-	7,000	398,000
GMAC Water Mortgage Revenue Bonds	397,000	-	25,000	372,000
GMAC Sewer Mortgage Revenue Bonds	<u>84,000</u>	<u>-</u>	<u>5,000</u>	<u>79,000</u>
Totals	\$ <u>1,213,145</u>	<u>-</u>	<u>47,276</u>	<u>1,165,869</u>

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2007 and 2006

(7) Debt Obligations, continued

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2007 are as follows:

Year Ending December 31	OPWC		OWDA		USDA	
	Principal		Principal	Interest	Principal	Interest
2008	\$ 2,044		3,452	7,952	8,000	17,550
2009	4,092		7,422	15,570	9,000	17,190
2010	4,092		7,707	15,100	9,000	16,785
2011	4,092		8,208	14,600	10,000	16,380
2012	4,092		8,741	14,067	10,000	15,930
2013-2017	20,460		52,989	61,049	62,000	72,135
2018-2022	18,422		72,572	41,466	85,000	56,250
2023-2027	-		87,806	14,645	112,000	34,830
2028-2030	-		-	-	85,000	7,785
Total	\$ <u>57,294</u>		<u>248,897</u>	<u>184,449</u>	<u>390,000</u>	<u>254,835</u>

Year Ending December 31	GMAC – Water		GMAC – Sewer		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 28,000	17,300	6,000	3,650	47,496	46,452
2009	29,000	15,900	6,000	3,350	55,514	52,010
2010	30,000	14,450	6,000	3,050	56,799	49,385
2011	32,000	12,950	7,000	2,750	61,300	46,680
2012	34,000	11,350	7,000	2,400	63,833	43,747
2013-2017	193,000	29,800	41,000	6,400	369,449	169,384
2018-2022	-	-	-	-	175,994	97,716
2023-2027	-	-	-	-	199,806	49,475
2028-2030	-	-	-	-	85,000	7,785
Total	\$ <u>346,000</u>	<u>101,750</u>	<u>73,000</u>	<u>21,600</u>	<u>1,115,191</u>	<u>562,634</u>

In addition to the debt described above, the Village is obligated under a wastewater design planning loan through the OWDA dated July 1, 2005. The maximum amount of the loan is \$52,000, of which \$43,064 has been disbursed. The loan bears interest at 5% and requires a single balloon payment by July 1, 2010. The current outstanding balance, including capitalized interest, is \$49,397.

The Village's USDA mortgage revenue bond debt covenants require the Village to create a separate fund to maintain one years' debt payment of principal and interest. In addition a reserve and replacement fund must be maintained. This money may be used with permission by USDA to cover maintenance costs. As of December 31, 2007 and 2006, the Village maintains the required funds and balances within the funds.

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2007 and 2006

(8) Retirement System

During 2007 and 2006 the Village’s law enforcement officers belonged to the Ohio Police and Fire Fund (OP&F) retirement system, while other employees belonged to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, 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 2007 and 2006, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of their wages. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries. The Village contributed an amount equal to 13.85% and 13.7%, respectively, of participants’ gross salaries. As of December 31, 2007, the Village has paid all contributions required for 2007 and 2006.

(9) Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments (“Members”).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each Member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member’s deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$ 11,136,455	9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members’ equity	\$ <u>6,862,902</u>	<u>6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, www.ohioplan.org.

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Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

Village of Richwood
Union County, Ohio

To the Village Council:

We have audited the financial statements of the Village of Richwood, Union County, Ohio (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 14, 2008 wherein we noted the Village 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 also noted the Village restated its beginning cash balance for the audit period for the special revenue and enterprise funds. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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 and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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

Internal Control Over Financial Reporting, continued

likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001, 2007-005, 2007-008 through 2007-13.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2007-01, 2007-08, 2007-09 and 2007-12 are also material weaknesses.

We also noted certain matters that we reported to the Village's management in a separate letter dated July 14, 2008.

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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-01 through 2007-08.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 14, 2008.

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

We intend this report solely for the information and use of management and the Village Council. We intend it for no one other than these specified parties.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

July 14, 2008

**Village of Richwood
Union County, Ohio
Schedule of Findings
December 31, 2007 and 2006**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2007-01
Significant Deficiency/Material Weakness

Ohio Revised Code (ORC) Section 5705.36 requires that on or about the first day of each fiscal year, the fiscal officer should certify to the county auditor the total amount from all sources available for expenditure from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

In 2006, the Village adopted and filed a certificate of estimated resources with the Union County Auditor on February 8, 2006. This filing was rejected by the Union County Auditor and sent back to the Village for correction. A corrected certificate for 2006 was not filed with the Union County Auditor until May 11, 2006. The Village adopted a certificate of estimated resources for 2007 on February 27, 2007, which was not filed with the Union County Auditor until April 5, 2007.

In addition to being filed late, the certificates of estimated resources that the Village prepared for 2006 and 2007 were based on inaccurate beginning cash balances by fund per the Uniform Accounting Network (UAN). Fund balances in UAN did not agree to audited fund balances by fund as of December 31, 2005. The tables below reflect the actual audited cash balances (less encumbrances) by fund versus available cash balances by fund reported in the certificate of estimated resources. The 2007 beginning audited balances also include adjustments made to 2006 transactions during the current audit.

<u>2006</u>	<u>Available Beginning Cash Balance</u>	<u>Certificate of Estimated Resources</u>	<u>Difference</u>
General Fund	\$141,523	306,119	(164,596)
Street Maintenance Fund	54,658	74,082	(19,424)
State Highway Fund	36,153	33,324	(2,829)
Park Fund	48,552	(2,285)	50,837
Tree Commission Fund	2,565	2,565	-
Law Enforcement Fund	151,855	19,585	132,270
Other Special Revenue	41,230	41,230	-
Industrial Park Fund	112,199	-	112,199
Sewer Construction Fund	(46)	16,362	(16,408)
Water Construction Fund	(4,744)	24,160	(28,904)
Sewer Improvement Fund	80,000	75,373	4,627
Enterprise Funds	629,727	611,727	18,000
Agency Funds	11,208	16,707	(5,499)

**Village of Richwood
Union County, Ohio
Schedule of Findings, continued
December 31, 2007 and 2006**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2007-01 (continued)

<u>2007</u>	<u>Available Beginning Cash Balance</u>	<u>Certificate of Estimated Resources</u>	<u>Difference</u>
General Fund	284,223	447,357	(163,134)
Street Maintenance Fund	27,593	76,825	(49,232)
State Highway Fund	36,746	33,916	2,830
Park Fund	68,295	663	67,632
Tree Commission Fund	2,565	2,565	-
Law Enforcement Fund	151,855	19,585	132,270
Other Special Revenue	41,230	41,230	-
Industrial Park Fund	119,853	119,853	-
Sewer Construction Fund	(46)	16,362	(16,408)
Water Construction Fund	(4,744)	24,160	(28,904)
Other Capital Project Fund	9,277	-	9,277
Sewer Improvement Fund	80,000	84,650	(4,650)
Enterprise Funds	711,342	679,875	31,467
Agency Funds	11,208	16,707	(5,499)

The Union County Auditor requires timely filing of budgetary documents or Local Government funds may be withheld. In addition, the properly completed certificate of estimated resources serves as the basis for the appropriation resolution.

As a result of inaccurate fund balances in UAN, the Village is at risk to unknowingly spend funds into a deficit balance. Such a situation would be especially detrimental to the Village if the General Fund were to be spent into a deficit balance since it is the only fund from which any lawful Village expenditure may be made without restriction.

Finding Number 2007-02

ORC Section 5705.38 provides that the Village shall adopt at least a temporary appropriation resolution on or about the first day of each year and a permanent appropriation resolution no later than April 1.

An appropriation resolution for 2006 was adopted and filed with the Union County Auditor on February 8, 2006; however, the filing was rejected by the Union County Auditor and returned to the Village for corrections. Corrected appropriations for 2006 were not filed with the Union County Auditor until May 11, 2006.

**Village of Richwood
Union County, Ohio
Schedule of Findings, continued
December 31, 2007 and 2006**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2007-02, continued

In addition, appropriations entered into UAN did not agree to the appropriation resolution filed with the Union County Auditor for numerous funds in both 2006 and 2007. The UAN system has built-in safeguards to assist local governments in complying with budgetary requirements of the ORC; however, these safeguards cannot operate effectively when inaccurate appropriation data is input. Inaccurate appropriation data in the UAN system could allow expenditures in excess of the actual appropriations lawfully adopted by the Village Council.

Finding Number 2007-03

ORC Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue.

Appropriations for 2007 exceeded estimated resources in the State Highway Fund by \$60,084.

Finding Number 2007-04

Ohio Revised Code 5705.36 states that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriations. In 2006 and 2007, actual receipts were significantly less than the budgeted amount for the Street Maintenance, Enterprise and Capital Projects Funds.

We also noted that the estimated receipts entered into the UAN did not agree to the final certificate of estimated resources for all funds except the Enterprise Funds in 2007. The Village cannot adequately monitor budgeted versus actual receipts when accurate information has not been entered into the UAN.

Finding Number 2007-05
Significant Deficiency

Ohio Revised Code (ORC) Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury when such contract or order is made.

**Village of Richwood
Union County, Ohio
Schedule of Findings, continued
December 31, 2007 and 2006**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2007-05, continued
Significant Deficiency

ORC section 5705.41 also provides that if no certificate was furnished at the time that the contract was entered into, the Fiscal Officer may prepare a Then and Now Certificate stating (1) that there was at the time of the making of the contract and (2) at the time of the execution of this certificate a sufficient sum appropriated for the purpose of the contract in question in the treasury or in process of collection to the credit of the appropriate fund, free from previous encumbrances.

Contrary to the requirements of ORC 5705.41(D), the Village does not encumber funds in any instance prior to incurring expenditures. Purchase orders are printed from the UAN system at the time warrants are issued for all disbursements that require encumbrance.

In addition, ORC Section 5705.41(B) provides that no money is to be expended unless it has been appropriated. Budgetary expenditures exceeded appropriation authority by \$9,135 in the General Fund for 2007.

Finding Number 2007-06

ORC Section 9.10 expressly forbids the use of a rubber stamp signature on the face of any official instrument, including checks or other instruments for the payment of money, described in ORC Section 9.11. Contrary to the requirements of these sections, the fiscal officer uses a rubber stamp to sign Village warrants. In addition to the prohibition of this practice in the ORC, the use of such a stamp increases the risk of unauthorized disbursements due to security of the stamp.

Finding Number 2007-07

ORC Section 731.14 states in part that, apart from certain enumerated exceptions, when any expenditure, other than the compensation of persons employed by the Village, exceeds \$25,000, such contracts shall be in writing and awarded to the lowest and best bidder. During the audit period, the Village contracted for the paving of Clinton and Fulton Streets and purchased a dump truck. The contracts for each of these projects exceeded \$25,000; however, while a project estimate was obtained, bid documents related to these contracts could not be located by Village officials. Therefore, we were unable to determine if proper bidding procedures were followed in the letting of these contracts.

**Village of Richwood
Union County, Ohio
Schedule of Findings, continued
December 31, 2007 and 2006**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2007-08
Significant Deficiency/Material Weakness

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. In addition, ORC Section 149.42 states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided by the ORC. Furthermore, ORC Section 149.43 (B)(1) states that all public records shall be promptly prepared and made available to any member of the general public at all reasonable times during regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time.

During the current audit, many supporting documents were not timely provided to us and required substantial research to locate. In some cases, documents were never produced. This includes debt agreements, supporting documentation for certain invoices, including credit card receipts, minutes of several meetings and bid documents.

In addition to the Village not being able to provide these documents for audit purposes, the Village would also not be able to respond promptly or at all should copies of any of these items be requested by the public.

Finding Number 2007-09
Significant Deficiency/Material Weakness

Village officials were not able to provide supporting documentation for 7 disbursements out of the 54 tested for 2006 and 4 disbursements out of the 98 tested for 2007. Therefore, we were unable to determine if these disbursements were approved, for a proper purpose or recorded to appropriate accounts and funds. These unsupported disbursements totaled \$32,714 and \$8,791 for 2006 and 2007, respectively.

In addition, 10 of the 54 disbursements tested for 2006 and 8 of the 98 disbursements tested for 2007 did not have documented approval.

**Village of Richwood
Union County, Ohio
Schedule of Findings, continued
December 31, 2007 and 2006**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2007-10
Significant Deficiency

According to the Village Officer's Handbook, the purpose of public health services is to provide for the physical and mental health of the citizenry by reducing the number, length and severity of illnesses and disabilities. The purpose of transportation expenditures is to provide facilities to transport needed amounts of various types of traffic quickly, safely and pleasurably. Disbursements for tax collection and administrative fees, payroll processing fees, zoning inspector fees, temporary office staff and other miscellaneous fees were charged to line items in the "Public Health Services" and "Transportation" line items on the financial statements. The disbursements charged to Public Health Services and Transportation do not meet the definitions set forth above and are therefore misclassified on the financial statements. These disbursements would be more accurately reflected as "Community Environment" and "General Government" expenditures. Likewise, we noted many expenditures for capital equipment coded to line items other than "Capital Outlay". We also noted a disbursement recorded directly into the "Transfers Out" line item instead of an expense line item. All of these items have been reclassified for proper financial statement presentation in this report.

We noted during our testing that sewer and water receipts of \$28,706 from 2005 were misclassified to a special revenue fund during the last audit period. These receipts were reclassified to the proper fund and cash fund balances were restated as of December 31, 2005.

Although the misclassifications have been corrected under audit, annual financial statements available to the public until such time as the audit is completed are inaccurate. Following the definitions set forth in the Village Officer's Handbook for UAN accounting codes will lead to more accurate and meaningful financial statements for Village officials and the public.

Finding Number 2007-11
Significant Deficiency

During our testing, we noted that in excess of \$9,000 in late OPERS remittances for 2005 were paid in 2006, including interest and penalties. Timely and accurate remittance of these amounts is important to avoid unnecessary penalty and interest charges to the Village.

Finding Number 2007-12
Significant Deficiency/Material Weakness

The size of the Village's accounting and administrative staff does not permit optimal segregation of accounting duties, which is a necessary element in safeguarding the assets of the Village. Due to this situation the Village Council and Mayor must provide a strong oversight function. We discussed accounting procedures and internal controls with various Village officials and personnel and have identified the following additional procedures that will strengthen internal controls:

**Village of Richwood
Union County, Ohio
Schedule of Findings, continued
December 31, 2007 and 2006**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2007-12, continued
Significant Deficiency/Material Weakness

- The Fiscal Officer prepares and signs all checks. Council does not review bank statements, cancelled checks or bank reconciliations. Council should designate a member(s) to scan the monthly bank statements, Star Ohio statements, cancelled checks and bank reconciliations for appropriateness of activity. This review should be documented with the reviewing member's signature and date on the monthly statements/reconciliation.
- The checking account statements are in the name of a part-time office employee along with the Fiscal Officer. Records should be updated at the bank to remove the part-time employee and add the designated Council member from the point above as an authorized signer and a recipient of the monthly statements. Certificate of deposit accounts should also include this designated Council member.
- A list of warrants is presented to Council for approval at meetings. The warrant listing is incomplete in that it only includes a lump sum total for payroll related warrants instead of listing them individually. In addition, supporting documentation is not provided for the warrants on the list. Including the payroll warrants on the list provides the opportunity for Council to approve these warrants individually. Council should also have the supporting documentation for warrants available during discussion and approval of the warrant list so that the documents can be reviewed immediately by Council members should any questions arise.
- The sewer and water department billing system has the ability to produce various reports; however, many of these reports are not utilized. At a minimum, Council should receive a detailed accounts receivable aging report at the end of each month as part of its oversight of the sewer and water department. The aging report should be reviewed by Council for unusual activity or unexpected balances.

Finding Number 2007-13
Significant Deficiency

A Council member maintained a park activity bank account which was not recorded on the Village's books for several years. All accounts related to Village activities should be maintained on the books for complete and accurate financial reporting and so that all activity is subject to the routine internal control and review procedures of the Village. The account was closed in April 2008 and the proceeds were given to the Fiscal Officer for deposit into the Village's operating account. The beginning cash balance as well as all activity in the account during the audit period has been reflected in these financial statements in the restated beginning fund cash balances.

**Village of Richwood
Union County, Ohio
Schedule of Findings, continued
December 31, 2007 and 2006**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Village Response:

Findings 2007-01, 02, 03, 04, 05, 07, 08, 09, 10, 11, 13: Village Council as a whole was not made fully aware of this situation until this audit. Village Council shall implement measures to correct this situation and confirm fiscal responsibility on a quarterly basis.

Finding 2007-06: Village Council shall require the clerk to handwrite their signature on all warrants to conform with ORC Section 9.10. Further, additional signatures or approvals shall be required for warrants before they are processed.

Finding 2007-12: Village Council agrees with these findings. Financial oversight committees must have access to bank account information, billing information, and means by which to reconcile and confirm that monies have been received and spent in accordance with ORC. The clerk must prepare reports containing all financial information so that a proper review is possible.



Mary Taylor, CPA
Auditor of State

VILLAGE OF RICHWOOD

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 3, 2009**