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Certified Public Accountants, A.C.

**VILLAGE OF RIDGWAY  
HARDIN COUNTY  
Regular Audit**

**For the Years Ended December 31, 2014 and 2013**

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- Association of Certified Anti - Money Laundering Specialists •





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Ridgeway, Hardin County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

October 20, 2015

VILLAGE OF RIDGEWAY  
HARDIN COUNTY

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## INDEPENDENT AUDITOR'S REPORT

July 10, 2015

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

To the Village Council:

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

We have audited the accompanying financial statements and related notes of the **Village of Ridgeway**, Hardin County, (the Village) as of and for the years ended December 31, 2014 and 2013.

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

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

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

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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



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

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Ridgeway, Hardin County, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



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

**VILLAGE OF RIDGEWAY  
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 5,162	\$ 7,061	\$ -	\$ -	\$ 12,223
Municipal Income Tax	28,746	-	-	-	28,746
Intergovernmental	5,916	21,638	-	-	27,554
Charges for Services	-	6,777	-	-	6,777
Fines, Licenses and Permits	1,629	-	-	-	1,629
Earnings on Investments	14	10	-	-	24
Miscellaneous	58	3,441	-	-	3,499
<i>Total Cash Receipts</i>	<u>41,525</u>	<u>38,927</u>	<u>-</u>	<u>-</u>	<u>80,452</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	13,938	16,748	-	-	30,686
Public Health Services	4,807	-	-	-	4,807
Basic Utility Services	816	-	-	-	816
Transportation	-	14,710	-	-	14,710
General Government	24,784	686	-	-	25,470
<i>Total Cash Disbursements</i>	<u>44,345</u>	<u>32,144</u>	<u>-</u>	<u>-</u>	<u>76,489</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,820)</u>	<u>6,783</u>	<u>-</u>	<u>-</u>	<u>3,963</u>
<b>Other Financing Receipts</b>					
Other Financing Sources	541	-	-	-	541
<i>Total Other Financing Receipts</i>	<u>541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>541</u>
<i>Net Change in Fund Cash Balances</i>	<u>(2,279)</u>	<u>6,783</u>	<u>-</u>	<u>-</u>	<u>4,504</u>
<i>Fund Cash Balances, January 1</i>	<u>17,273</u>	<u>121,646</u>	<u>(1,787)</u>	<u>313</u>	<u>137,445</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	-	-	-	250	250
Restricted	-	128,429	-	63	128,492
Unassigned (Deficit)	14,994	-	(1,787)	-	13,207
<i>Fund Cash Balances, December 31</i>	<u>\$ 14,994</u>	<u>\$ 128,429</u>	<u>\$ (1,787)</u>	<u>\$ 313</u>	<u>\$ 141,949</u>

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

**VILLAGE OF RIDGEWAY  
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 116,594
<i>Total Operating Cash Receipts</i>	<u>116,594</u>
<b>Operating Cash Disbursements</b>	
Personal Services	7,093
Employee Fringe Benefits	740
Contractual Services	58,789
Supplies and Materials	15,259
Other	442
<i>Total Operating Cash Disbursements</i>	<u>82,323</u>
<i>Operating Income</i>	<u>34,271</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Principal Retirement	(12,300)
Interest and Fiscal Charges	(40,152)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(52,452)</u>
<i>Net Change in Fund Cash Balances</i>	(18,181)
<i>Fund Cash Balances, January 1</i>	<u>133,319</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 115,138</u></u>

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

**VILLAGE OF RIDGEWAY  
HARDIN COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 3,583	\$ 5,140	\$ -	\$ -	\$ 8,723
Municipal Income Tax	27,993	-	-	-	27,993
Intergovernmental	5,654	15,243	-	-	20,897
Charges for Services	-	4,450	-	-	4,450
Fines, Licenses and Permits	1,747	-	-	-	1,747
Earnings on Investments	15	19	-	-	34
Miscellaneous	-	1,630	-	-	1,630
<i>Total Cash Receipts</i>	<u>38,992</u>	<u>26,482</u>	<u>-</u>	<u>-</u>	<u>65,474</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	13,396	9,611	-	-	23,007
Public Health Services	4,950	-	-	-	4,950
Basic Utility Services	1,242	-	-	-	1,242
Transportation	-	11,796	-	-	11,796
General Government	31,154	1,218	-	-	32,372
<i>Total Cash Disbursements</i>	<u>50,742</u>	<u>22,625</u>	<u>-</u>	<u>-</u>	<u>73,367</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(11,750)</u>	<u>3,857</u>	<u>-</u>	<u>-</u>	<u>(7,893)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Advances-In	1,000	1,000	-	-	2,000
Advances-Out	(1,000)	(1,000)	-	-	(2,000)
Other Financing Sources	446	-	-	-	446
<i>Total Other Financing Receipts (Disbursements)</i>	<u>446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>446</u>
<i>Net Change in Fund Cash Balances</i>	<u>(11,304)</u>	<u>3,857</u>	<u>-</u>	<u>-</u>	<u>(7,447)</u>
<i>Fund Cash Balances, January 1</i>	<u>28,577</u>	<u>117,789</u>	<u>(1,787)</u>	<u>313</u>	<u>144,892</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	-	-	-	250	250
Restricted	-	121,646	-	63	121,709
Unassigned (Deificit)	17,273	-	(1,787)	-	15,486
<i>Fund Cash Balances, December 31</i>	<u>\$ 17,273</u>	<u>\$ 121,646</u>	<u>\$ (1,787)</u>	<u>\$ 313</u>	<u>\$ 137,445</u>

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

VILLAGE OF RIDGEWAY  
HARDIN COUNTY

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

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 94,987
<i>Total Operating Cash Receipts</i>	<u>94,987</u>
<b>Operating Cash Disbursements</b>	
Personal Services	7,045
Employee Fringe Benefits	599
Contractual Services	47,764
Supplies and Materials	2,643
Other	<u>100</u>
<i>Total Operating Cash Disbursements</i>	<u>58,151</u>
<i>Operating Income</i>	<u>36,836</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Principal Retirement	(11,800)
Interest and Fiscal Charges	<u>(40,624)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(52,424)</u>
<i>Net Change in Fund Cash Balances</i>	(15,588)
<i>Fund Cash Balances, January 1</i>	<u>148,907</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 133,319</u></u>

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

**VILLAGE OF RIDGEWAY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Ridgeway, Hardin County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street maintenance and cemetery maintenance. The Village contracts with Hardin County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department. The Village of Ridgeway contracts with and provides the Village of Mount Victory sewer processing services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF RIDGEWAY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

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

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

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Sewer Pump Station Construction Fund – This fund receives proceeds of United States Department of Agriculture (USDA) bonds. The proceeds are being used to construct a new sewer pump station.

**4. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant Permanent Fund:

Cemetery Endowment Fund – Bailey Trust – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the maintenance and upkeep of the Village's cemetery.

**5. Enterprise Funds**

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

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

**VILLAGE OF RIDGEWAY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**2. 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.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**VILLAGE OF RIDGEWAY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**F. Fund Balance (Continued)**

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED DEPOSITS**

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

	2014	2013
Demand Deposits	\$ 225,555	\$ 239,236
Certificates of Deposit	31,532	31,528
Total Deposits	\$ 257,087	\$ 270,764

**VILLAGE OF RIDGEWAY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

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

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 94,943	\$ 42,066	\$ (52,877)
Special Revenue	105,574	38,927	(66,647)
Permanent	5	-	(5)
Enterprise	106,400	116,594	10,194
Total	\$ 306,922	\$ 197,587	\$ (109,335)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 61,444	\$ 44,369	\$ 17,075
Special Revenue	160,533	32,168	128,365
Permanent	2	-	2
Enterprise	192,844	134,775	58,069
Total	\$ 414,823	\$ 211,312	\$ 203,511

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 140,140	\$ 39,438	\$ (100,702)
Special Revenue	133,393	26,482	(106,911)
Permanent	5	-	(5)
Enterprise	166,348	94,987	(71,361)
Total	\$ 439,886	\$ 160,907	\$ (278,979)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 146,268	\$ 51,259	\$ 95,009
Special Revenue	160,385	23,133	137,252
Permanent	3	-	3
Enterprise	163,126	111,170	51,956
Total	\$ 469,782	\$ 185,562	\$ 284,220

**VILLAGE OF RIDGEWAY  
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio law, in 2013 and 2014, there was an unfavorable receipt variance in the General Fund, Permissive Motor Vehicle Fund, and the Fire Apparatus Fund. The Enterprise Debt Service and Enterprise Debt Service Funds were not certified with the county auditor in 2014. Also contrary to Ohio Law, the appropriated amount for the Sewer Operating Fund exceeded the amount filed with the county and budgetary expenditures exceeded appropriation authority in the same fund. Also contrary to Ohio Law, the Capital Projects Fund carried a negative fund balance.

**4. PROPERTY TAX**

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

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

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

**5. INCOME TAX**

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

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

**VILLAGE OF RIDGEWAY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
USDA Sanitary Sewer System Mortgage Revenue Bonds, Series 2010	\$ 991,500	4.00%
Total	\$ 991,500	

During 2010, the Village entered into a loan agreement with the United States Department of Agriculture (USDA) for the expansion of the Villages sewer pump station mandated by the Ohio Environmental Protection Agency. The Village will repay the loan in annual installments of principal and interest over 40 years. The Village has agreed to set utility rates sufficient to cover debt service requirements.

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

Year ending December 31, 2014	USDA Loan Principal	USDA Loan Interest	Total
2015	\$ 12,700	\$ 39,660	\$ 52,360
2016	13,300	39,152	52,452
2017	13,800	38,620	52,420
2018	14,400	38,068	52,468
2019	15,000	37,492	52,492
2020-2024	84,200	177,992	262,192
2025-2029	102,400	159,748	262,148
2030-2034	124,700	137,556	262,256
2035-2039	151,600	110,544	262,144
2040-2044	184,500	77,696	262,196
2045-2049	224,500	37,724	262,224
2050	50,400	2,016	52,416
Total	\$ 991,500	\$ 896,268	\$ 1,887,768

**7. ENTERPRISE DEBT SERVICE TRUST FUNDS**

The Bond agreement contained a covenant requiring the Village to establish the following funds: enterprise debt service fund, enterprise debt service reserve fund, and enterprise surplus fund. The Village has established the enterprise debt service, enterprise debt service reserve, and enterprise surplus funds. At December 31, 2014, the enterprise debt service fund and enterprise debt service reserve fund held \$23,135 and \$53,669 respectively in Village assets. At December 31, 2014, the enterprise surplus fund had zero balance.

**VILLAGE OF RIDGEWAY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**8. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**9. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**10. CONTINGENT LIABILITIES**

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



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Marietta, OH 45750  
740.373.0056

1035 Murdoch Ave  
Parkersburg, WV 26101  
304.422.2203

121 E Main St  
St. Clairsville, OH 43950  
740.695.1569

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

July 10, 2015

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

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of Ridgeway**, Hardin County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated July 10, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2014-001 through 2014-003 described in the accompanying schedule of audit findings to be material weaknesses.



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

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll  
Litigation Support - Financial Investigations

Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •  
• Association of Certified Anti - Money Laundering Specialists •



A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-004 described in the accompanying schedule of audit findings to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2014-002 and 2014-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 10, 2015.

***Purpose of this Report***

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



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

**VILLAGE OF RIDGEWAY  
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
----------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2014-001**

**Material Weakness**

**Posting Receipts and Disbursements**

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

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

- In 2013 and 2014, General Government disbursements had been incorrectly recorded as Debt payments in the General Fund.
- In 2013, General Fund Municipal Income Tax revenues had been improperly recorded as Sewer Improvement Revenues in the Sewer Operating Fund.
- In 2013, Municipal Income Tax revenue had not been recorded to the accounting system in the General Fund.
- In 2013, Intergovernmental receipts were incorrectly recorded as Municipal Income Tax revenues in the General Fund.
- In 2013, Intergovernmental revenue was incorrectly recorded as Property and Other Local Tax revenues in the General Fund, Fire Apparatus Fund, and the Street Construction, Maintenance, and Repair Fund.
- In 2013, Intergovernmental revenue was incorrectly recorded as Other Financing Sources revenue in the General Fund.
- In 2013, State Levied Intergovernmental revenue was incorrectly recorded as County Levied Intergovernmental revenue in the Street Construction, Maintenance, and Repair Fund.
- In 2013, Charges for Services revenue was incorrectly recorded as Special Assessment revenue in the Sewer Operating Fund.
- In 2013 and 2014, the distribution of Principal and Interest Debt Payments were incorrectly recorded in the Sewer Operating Fund.
- In 2014, Intergovernmental revenue was incorrectly recorded as Property and Other Local Tax revenues in the General Fund and the Fire Apparatus Fund.
- In 2014, Charges for Services revenue was incorrectly recorded as Special Assessment revenue in the Enterprise Debt Service Fund and the Enterprise Debt Service Reserve Fund.
- Beginning fund balances were restated due to not recording prior audit adjustments.

Not posting receipts and disbursements accurately resulted in the financial statements requiring reclassifications and adjustments. The Village has agreed with and posted the adjustments to their accounting system. The financial statements reflect all reclassifications and the adjustments.

**VILLAGE OF RIDGEWAY  
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001 (Continued)**

**Material Weakness (Continued)**

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

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

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2014-002**

**Material Weakness**

**Budgetary Controls**

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.36 relating to certification of estimated resources and beginning balances;
- Violations of 5705.39 indicating appropriations cannot exceed estimated resources;
- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations);
- Violation of 5705.10 indicating the Village's Capital Projects Fund had a negative fund balance.
- Violations of 5705.41(D) relating to expenditures having prior certification of availability of funds.
- Appropriations and Estimated Resources were not reconciled to the accounting system.

In addition, The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

**VILLAGE OF RIDGEWAY  
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-002 (Continued)**

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

Council does not monitor for budgetary compliance. Although Council approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed, submitted to the County Budget Commission timely or that transfers are done in compliance with laws and regulations.

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. We recommend the Village establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates. Council should also consider the need to move from a manual system to a computerized system that will incorporate budgetary requirements. If the Council does not consider this necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2014-003**

**Material Weakness**

**Bank Reconciliations**

Monthly bank reconciliations should be completed by the Fiscal Officer. All amounts on the bank to book reconciliation should be substantiated by supporting documentation without the use of the "Other Adjusting Factors" line item. The Board member should review and initial the bank reconciliation at the monthly Board meeting.

The Fiscal Officer performs monthly bank reconciliations using the Uniform Accounting System (UAN). However the reconciliations did not tie to the actual reconciled checking account, savings, and certificates of deposit in 2013 and 2014. Upon review certificates of deposits were not included in the reconciliation

We recommend the Fiscal Officer complete the bank reconciliations without the assistance of the "Other Adjusting Factors" line item, unless what makes up that line item can be identified and substantiated with supporting documentation. Additionally the Board Members should only sign off on the reconciliations once they have reviewed the documents which support the amounts on the reconciliation.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF RIDGEWAY  
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-004**

**Significant Deficiency**

**Advance Not Temporary**

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 for repayment. The intent of a cash advance is to require repayment within the current year.

In 2005, the Village Clerk-Treasurer purchased a computer, printer, billing software program, and preprinted statements totaling \$1,490 to be used to prepare sewer fund billing statements and to record sewer fund receipts. The money for these items was advanced from the General Fund. While there was approval for the purchase of the items, there was not an indication at that time that a resolution was passed to advance these monies from the General Fund for items for the Sewer Operating Fund. The advance does not appear to have been repaid since that time.

We recommend the Village determine whether or not the advance will be repaid. If it is determined the advance will not be repaid, the advance should be converted to a transfer as authorized in ORC Sections 5705.12 to 5705.16 through a formal resolution.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2014-005**

**Noncompliance**

**Revenue Bond Requirement Terms**

The Village issued Sewer Mortgage Revenue Bonds for the improvement of the Village's Sewer Operating System. The loan agreement requires the Village establish three separate funds (Enterprise Debt Service Fund, Enterprise Debt Service Reserve Fund and an Enterprise Surplus Fund). The Village's management is supposed to deposit money into the funds in the following manner. Each month 1/12 of interest is to be set aside in the Enterprise Debt Service Fund; \$437.83 per month is to be placed in an Enterprise Debt Service Reserve Fund; and the Village is to establish a monetary threshold to which the sewer system will need to operate. Any money in excess of this threshold after funding the other funds is to be placed into the Enterprise Surplus Fund.

**VILLAGE OF RIDGEWAY  
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-005 (Continued)**

At December 31, 2014, all three of these funds had been set up, however the Debt Service Fund does not have the required minimum fund balance. An adjustment for \$16,838 has been made to the Village's financial statements to adequately fund the Enterprise Debt Service Fund at December 31, 2014. The debt service has been paid from the Sewer Operating Fund as opposed to the required Debt Service Fund. The Enterprise Surplus Fund has not been funded as of December 31, 2014.

We recommend the Village determine that adequate funding is deposited to the Debt Service fund according to ORC 505.262 describing that all bonded debt is to be paid from the Debt Service Fund. Procedures should be established to ensure the necessary monies are placed into these funds each month as outlined in the debt agreement.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF RIDGEWAY  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Posting Receipts and Disbursements and Fund Balances	No	Not Corrected, Repeated as 2014-001
2012-002	Bank Reconciliations	No	Repeated as 2014-003
2012-003	Advance Not Temporary	No	Repeated as 2014-004
2012-004	Posting Estimated Revenues and Appropriations	No	Not Corrected, Repeated as Finding 2014-002
2012-005	Monitoring of Delinquent Accounts and Adjustment Reports	Yes	Corrected
2012-006	Revenue Bond Requirements Terms	No	Not Corrected, Repeated as Finding 2014-005
2012-007	Negative Fund Balance	No	Not Corrected, Repeated as Finding 2014-002



# Dave Yost • 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  
NOVEMBER 5, 2015**