

**VILLAGE OF RICHWOOD
UNION COUNTY, OHIO**

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants



Dave Yost • Auditor of State

Village Council
Village of Richwood
153 North 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, 2010 through December 31, 2011. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 15, 2013

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**Village of Richwood
Union County, Ohio**

For the Years Ended December 31, 2011 and 2010

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Wolf, Rogers, Dickey & Co.

Certified Public Accountants

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Independent Auditors' Report

Village of Richwood
Union County, Ohio

To the Village Council:

We have audited the accompanying financial statements described in the table of contents of the Village of Richwood, Union County, Ohio (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 require 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, 2011 and 2010, 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, 2011 and 2010, or its changes in financial position or cash flows 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 as of December 31, 2011 and 2010 and reserves for encumbrances as of December 31, 2010 of the Village of Richwood, Union County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Richwood, Union County, Ohio adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 October 22, 2012, 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* and should be read in conjunction with this report in assessing the results of our audit.

Wolf, Roges, DeKey & Co.
Certified Public Accountants

October 22, 2012

**Village of Richwood
Union County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:				
Property and local taxes	\$ 184,096	43,301	-	227,397
Municipal income tax	450,467	-	-	450,467
Intergovernmental	28,049	90,711	-	118,760
Charges for services	2,390	1,069	-	3,459
Fines, licenses and permits	15,759	-	-	15,759
Earnings on investments	4,691	379	-	5,070
Other	<u>4,336</u>	<u>825</u>	<u>-</u>	<u>5,161</u>
Total cash receipts	<u>689,788</u>	<u>136,285</u>	<u>-</u>	<u>826,073</u>
Cash disbursements:				
Current:				
Security of persons and property	460,797	1,281	-	462,078
Public health services	3,929	-	-	3,929
Leisure time activities	-	19,116	-	19,116
Transportation	6,071	87,133	-	93,204
General government	114,746	-	-	114,746
Capital outlay	<u>51,177</u>	<u>27,849</u>	<u>-</u>	<u>79,026</u>
Total cash disbursements	<u>636,720</u>	<u>135,379</u>	<u>-</u>	<u>772,099</u>
Total receipts over disbursements	<u>53,068</u>	<u>906</u>	<u>-</u>	<u>53,974</u>
Other financing receipts (disbursements):				
Transfers out	-	(4,206)	-	(4,206)
Transfers in	<u>-</u>	<u>4,206</u>	<u>-</u>	<u>4,206</u>
Total other financing receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	53,068	906	-	53,974
Fund cash balances, beginning of year	<u>532,883</u>	<u>206,523</u>	<u>96,950</u>	<u>836,356</u>
Fund cash balances:				
Restricted	-	207,429	96,950	304,379
Assigned	1,030	-	-	1,030
Unassigned	<u>584,921</u>	<u>-</u>	<u>-</u>	<u>584,921</u>
Fund cash balances, end of year	<u>\$ 585,951</u>	<u>207,429</u>	<u>96,950</u>	<u>890,330</u>

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

**Village of Richwood
Union County, Ohio
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, 2011**

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
Operating cash receipts -			
Charges for services	\$ <u>691,772</u>	<u>-</u>	<u>691,772</u>
Operating cash disbursements:			
Personal services	187,715	-	187,715
Employee fringe benefits	87,542	-	87,542
Contractual services	151,807	-	151,807
Supplies and materials	67,256	-	67,256
Other	<u>3,082</u>	<u>-</u>	<u>3,082</u>
Total operating cash disbursements	<u>497,402</u>	<u>-</u>	<u>497,402</u>
Operating income	194,370	-	194,370
Non-operating cash receipts:			
Miscellaneous receipts	300	17,443	17,743
Earnings on investments	<u>14</u>	<u>-</u>	<u>14</u>
Total non-operating cash receipts	<u>314</u>	<u>17,443</u>	<u>17,757</u>
Non-operating cash disbursements:			
Redemption of principal	(84,487)	-	(84,487)
Interest and other fiscal charges	(33,700)	-	(33,700)
Capital outlay	<u>(19,107)</u>	<u>-</u>	<u>(19,107)</u>
Total non-operating cash disbursements	<u>(137,294)</u>	<u>-</u>	<u>(137,294)</u>
Net receipts over disbursements	57,390	17,443	74,833
Other financing receipts (disbursements) -			
Other financing uses	<u>-</u>	<u>(17,443)</u>	<u>(17,443)</u>
Total other financing (disbursements)	<u>-</u>	<u>(17,443)</u>	<u>(17,443)</u>
Fund cash balances, beginning of year	<u>377,054</u>	<u>15,208</u>	<u>392,262</u>
Fund cash balances, end of year	\$ <u>434,444</u>	<u>15,208</u>	<u>449,652</u>

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

**Village of Richwood
Union County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:				
Property and local taxes	\$ 178,719	39,556	-	218,275
Municipal income tax	437,088	-	-	437,088
Intergovernmental	43,517	95,694	-	139,211
Charges for services	1,684	1,910	-	3,594
Fines, licenses and permits	16,732	-	-	16,732
Earnings on investments	12,667	855	-	13,522
Other	<u>46,354</u>	<u>2,017</u>	<u>-</u>	<u>48,371</u>
Total cash receipts	<u>736,761</u>	<u>140,032</u>	<u>-</u>	<u>876,793</u>
Cash disbursements:				
Current:				
Security of persons and property	482,674	6,997	-	489,671
Public health services	3,709	-	-	3,709
Leisure time activities	-	27,163	-	27,163
Transportation	4,633	89,045	-	93,678
General government	174,665	-	-	174,665
Capital outlay	60,153	44,649	2,313	107,115
Debt service:				
Principal	119,150	23,830	-	142,980
Interest	<u>3,405</u>	<u>2,604</u>	<u>-</u>	<u>6,009</u>
Total cash disbursements	<u>848,389</u>	<u>194,288</u>	<u>2,313</u>	<u>1,044,990</u>
Total receipts (under) disbursements	<u>(111,628)</u>	<u>(54,256)</u>	<u>(2,313)</u>	<u>(168,197)</u>
Other financing receipts (disbursements):				
Sale of fixed assets	23,736	-	-	23,736
Transfers out	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
Total other financing (disbursements)	<u>(1,264)</u>	<u>-</u>	<u>-</u>	<u>(1,264)</u>
Excess of cash receipts and other financing receipts (under) cash disbursements and other financing disbursements	(112,892)	(54,256)	(2,313)	(169,461)
Fund cash balances, beginning of year	<u>645,775</u>	<u>260,779</u>	<u>99,263</u>	<u>1,005,817</u>
Fund cash balances, end of year	\$ <u>532,883</u>	<u>206,523</u>	<u>96,950</u>	<u>836,356</u>
Reserves for encumbrances	\$ <u>3,474</u>	<u>400</u>	<u>-</u>	<u>3,874</u>

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

**Village of Richwood
Union County, Ohio
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, 2010**

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
Operating cash receipts -			
Charges for services	\$ 679,393	-	679,393
Operating cash disbursements:			
Personal services	220,032	-	220,032
Employee fringe benefits	97,228	-	97,228
Contractual services	170,992	-	170,992
Supplies and materials	<u>70,503</u>	<u>-</u>	<u>70,503</u>
Total operating cash disbursements	<u>558,755</u>	<u>-</u>	<u>558,755</u>
Operating income	120,638	-	120,638
Non-operating cash receipts:			
Earnings on investments	599	-	599
Miscellaneous receipts	<u>1,592</u>	<u>10,650</u>	<u>12,242</u>
Total non-operating cash receipts	2,191	10,650	12,841
Non-operating cash disbursements:			
Redemption of principal	(219,943)	-	(219,943)
Interest and other fiscal charges	(49,611)	-	(49,611)
Capital outlay	<u>(37,058)</u>	<u>-</u>	<u>(37,058)</u>
Total non-operating cash disbursements	<u>(306,612)</u>	<u>-</u>	<u>(306,612)</u>
Net receipts over (under) disbursements	(183,783)	10,650	(173,133)
Other financing receipts (disbursements):			
Transfers in	25,000	-	25,000
Other financing uses	<u>-</u>	<u>(10,650)</u>	<u>(10,650)</u>
Total other financing receipts (disbursements)	<u>25,000</u>	<u>(10,650)</u>	<u>14,350</u>
Fund cash balances, beginning of year	<u>535,837</u>	<u>15,208</u>	<u>551,045</u>
Fund cash balances, end of year	\$ <u>377,054</u>	<u>15,208</u>	<u>392,262</u>
Reserve for encumbrances	\$ <u><u>1,222</u></u>	<u><u>-</u></u>	<u><u>1,222</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, 2011 and 2010

(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.

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 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.

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(1) Summary of Significant Accounting Policies, continued

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.

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

These funds are custodial funds used to account for the receipt and expenditure of monies on behalf of individuals, other agencies or governments. The Village had the following significant Agency Fund:

Insurance Escrow – This fund holds money for fire damage clean-up of property within the Village. Miscellaneous receipts into this fund are from insurance companies for fire damage to specific properties. Once the property owners clean up the properties, the Village remits these proceeds to the property owners.

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(1) Summary of Significant Accounting Policies, continued

Budgetary Process

The Ohio Revised Code (ORC) 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. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

The ORC 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 2011 and 2010 budgetary activity appears in Note 3.

Fund Balance

For December 31, 2011, the Village implemented Governmental Accounting Standards Board (GASB) No. 54 "Fund Balance Reporting and Governmental Fund Definitions" which had no effect on fund balances. Under GASB No. 54, fund balances are divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable

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

Restricted

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

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(1) Summary of Significant Accounting Policies, continued

Fund Balance, continued

Committed

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

Assigned

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

Unassigned

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

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

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 used by all funds. The ORC prescribes allowable deposits and investments. The carrying amounts of deposits at December 31 were as follows:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$ 641,558	534,000
Certificates of deposit	<u>698,424</u>	<u>694,618</u>
Total deposits	\$ <u>1,339,982</u>	<u>1,228,618</u>

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(2) Equity in Pooled Deposits, continued

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Certificates of deposit mature at varying dates through September 2012 and bear interest rates from .6% to 1%.

(3) Budgetary Activity

Budgetary activity for the years ended December 31, 2011 and 2010 follows:

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 626,701	689,788	63,087
Special Revenue	97,321	140,491	43,170
Enterprise	656,000	692,086	36,086
Fiduciary	<u>17,443</u>	<u>17,443</u>	<u>-</u>
Total	\$ <u>1,397,465</u>	<u>1,539,808</u>	<u>142,343</u>

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 666,921	636,720	30,201
Special Revenue	182,522	139,585	42,937
Capital Projects	96,952	-	96,952
Enterprise	798,725	634,696	164,029
Fiduciary	<u>28,656</u>	<u>17,443</u>	<u>11,213</u>
Total	\$ <u>1,773,776</u>	<u>1,428,444</u>	<u>345,332</u>

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(3) Budgetary Activity, continued

<u>Fund Type</u>	<u>2010 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 544,500	760,497	215,997
Special Revenue	103,000	140,032	37,032
Enterprise	628,750	706,584	77,834
Fiduciary	<u>-</u>	<u>10,650</u>	<u>10,650</u>
Total	\$ <u>1,276,250</u>	<u>1,617,763</u>	<u>341,513</u>

<u>Fund Type</u>	<u>2010 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 1,114,685	876,863	237,822
Special Revenue	299,471	194,688	104,783
Capital Projects	99,264	2,313	96,951
Enterprise	1,100,939	866,589	234,350
Fiduciary	<u>11,863</u>	<u>10,650</u>	<u>1,213</u>
Total	\$ <u>2,626,222</u>	<u>1,951,103</u>	<u>675,119</u>

(4) Property Tax

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien on December 31, 2010, are levied after October 1, 2011, and are collected in 2011 with real property taxes.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(5) 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 Agency. For the years ended December 31, 2011 and 2010, the Village collected \$450,467 and \$437,088, respectively.

(6) Debt Obligations

At December 31, 2011 and 2010, debt obligations consisted of the following issuances:

<u>Description</u>	<u>2011</u>	<u>2010</u>
2002 Ohio Public Works Commission (OPWC) loan for water line improvements, due in semiannual installments of \$2,046 through 2022 at a rate of 0%.	42,970	45,016
2002 Ohio Water Development Authority (OWDA) loan for water system improvements, due in semiannual installments of \$11,404 through 2027 at a rate of 6.39%.	206,281	214,297
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%.	227,000	259,000
Richwood Banking Company, commercial loan, due in annual installments of \$49,608 through 2014 at a rate of 4%	<u>137,634</u>	<u>180,060</u>
Total debt obligations	\$ <u>613,885</u>	<u>698,373</u>

Transactions for the years ended December 31, 2011 and 2010 are summarized as follows:

<u>Description</u>	<u>Balance at</u> <u>12/31/10</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at</u> <u>12/31/11</u>
OPWC loan	\$ 45,016	-	2,046	42,970
OWDA loan	214,297	-	8,015	206,282
GMAC bonds	259,000	-	32,000	227,000
Richwood Banking Company loan	<u>180,060</u>	<u>-</u>	<u>42,426</u>	<u>137,634</u>
Totals	\$ <u>698,373</u>	<u>-</u>	<u>84,487</u>	<u>613,886</u>

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(6) Debt Obligations, continued

<u>Description</u>	<u>Balance at</u> <u>12/31/09</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at</u> <u>12/31/10</u>
OPWC loan	\$ 49,109	-	4,093	45,016
OWDA loan	221,823	-	7,526	214,297
GMAC bonds	289,000	-	30,000	259,000
Richwood Banking Company loan	220,000	-	39,940	180,060
Richwood Banking Company – line of credit	<u>238,300</u>	<u>-</u>	<u>238,300</u>	<u>-</u>
Totals	\$ <u>1,018,232</u>	<u>-</u>	<u>319,859</u>	<u>698,373</u>

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2011 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>OPWC</u>	<u>OWDA</u>		<u>GMAC</u>	
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 4,092	4,201	6,591	34,000	11,350
2013	4,092	8,808	12,774	35,000	9,650
2014	4,092	9,380	12,203	37,000	7,900
2015	4,092	9,989	11,594	39,000	6,050
2016	4,092	10,637	10,945	40,000	4,100
2017-2021	20,460	64,488	43,426	42,000	2,100
2022-2026	2,050	88,321	19,592	-	-
2027-2031	<u>-</u>	<u>10,457</u>	<u>334</u>	<u>-</u>	<u>-</u>
Total	\$ <u>42,970</u>	<u>206,281</u>	<u>117,459</u>	<u>227,000</u>	<u>41,150</u>

<u>Year Ending</u> <u>December 31</u>	<u>Richwood Banking Company</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 43,985	5,624	86,278	23,565
2013	45,788	3,820	93,688	26,244
2014	47,861	1,747	98,333	21,850
2015	-	-	53,081	17,644
2016	-	-	54,729	15,045
2017-2021	-	-	126,948	45,526
2022-2026	-	-	90,371	19,592
2027-2031	<u>-</u>	<u>-</u>	<u>10,457</u>	<u>334</u>
Total	\$ <u>137,634</u>	<u>11,191</u>	<u>613,885</u>	<u>169,800</u>

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(6) Debt Obligations, continued

In addition to the debt described above, the Village was 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 required a single balloon payment by July 1, 2010. The outstanding balance, including capitalized interest, was \$53,697 at the time the single balloon payment was due. The Village made this payment in full in July 2010.

The Village had a \$350,000 line of credit with a local bank that expires in December 2014. The line required interest at 4% and quarterly interest payments. In addition, the line required minimum annual principal payments of the lesser of \$70,000 or the balance of outstanding advances beginning in December 2010. The outstanding balance was paid in full in August 2010 and the line of credit was closed.

(7) Retirement System

During 2011 and 2010 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 ORC.

Contribution rates are also prescribed by the ORC. For 2011 and 2010, members of OP&F contributed 10% of their wages and the Village contributed 19.5% of their wages to the OP&F. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed 14% of participants' gross salaries to the OPERS. The Village has paid all contributions required through December 31, 2011.

(8) Risk Pool Membership

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association that provided a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separated from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) – formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. – mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(8) Risk Pool Membership, continued

Pursuant to ORC Section 2744.081, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk Management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010, respectively. The Village participates in this coverage.

The Plan formed the Ohio Healthcare Consortium (“OPHC”), as authorized by ORC Section 9.833. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare need and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 74 and 65 members as of December 31, 2011 and 2010, respectively. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Plan’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010, and include amounts for both OPRM and OPHC.

	<u>2011</u>		<u>2010</u>	
	<u>OPRM</u>	<u>OPHC</u>	<u>OPRM</u>	<u>OPHC</u>
Assets	\$ 12,501,280	1,459,790	12,036,541	1,355,131
Liabilities	<u>(5,328,761)</u>	<u>(1,283,527)</u>	<u>(4,845,056)</u>	<u>(1,055,096)</u>
Members’ equity	\$ <u>7,172,519</u>	<u>176,263</u>	<u>7,191,485</u>	<u>300,035</u>

The complete audited financial statements for OPRM and OPHC are available at the Plan’s website, www.ohioplan.org.

(9) Subsequent Events

Subsequent events have been evaluated through October 22, 2012, which is the date the financial statements were available to be issued.

Village of Richwood
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(10) Compliance and Contingencies

Contrary to Ohio law:

- Material reclassification to the financial statements was necessary in order for them to be fairly stated.
- The Village did not encumber all funds prior to expenditure.
- The Village did not adopt a written policy and appoint an individual responsible for a personal information system.
- The Village did not adopt a public records policy or comply with applicable training requirements.

Contrary to Federal law:

- The Village did not issue all Internal Revenue Service Form 1099-MISC that were required for 2011 and 2010. Lack of such required forms could result in federal penalties.

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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, 2011 and 2010, and have issued our report thereon dated October 22, 2012 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 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a

material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider Findings 2011-01 through 2011-03 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We considered Findings 2011-05 through 2011-07 to be significant deficiencies in internal control over financial reporting as described in the accompanying Schedule of Findings.

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 Findings 2011-04, 2011-05, 2011-08 and 2011-09.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 22, 2012.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

October 22, 2012

**Village of Richwood
Union County, Ohio
Schedule of Findings
December 31, 2011 and 2010**

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

Finding Number 2011-01
Material Weakness

Bank reconciliations were not accurately prepared during the entire audit period. Each month of the two-year period had a significant amount in “other adjusting factors” on the Uniform Accounting Network (UAN) bank reconciliation to balance the reconciliation. The amounts ranged from tens of thousands of dollars to in excess of \$100,000 and fluctuated between positive and negative numbers each month.

In a separate engagement performed by non-audit personnel, we assisted the Village in identifying the reconciling items. The cash balance in the UAN system was increased by \$6,003 for the reconciling items in 2010 and reduced by \$3,560 for the reconciling items in 2011. We found that many deposits and checks were not recorded in UAN until months after the activity actually occurred, the outstanding check list was incorrect, payroll tax deposits were set up in UAN to be made electronically and so were deducted from the cash balance, but the electronic payments were not made until a later month. These represent a few of the major problems we noted.

Lack of accurate bank reconciliations is a serious flaw in the internal control system of the Village, and prevents management or Council from effectively safeguarding this asset from theft or misuse. Such a condition also prevents the Village from having actual cash balance information by fund and in total, thus increasing the risk of spending a fund into a deficit balance. In addition, such large out-of-balance amounts on the bank reconciliations mean that the Village’s unaudited financial statements made available to the public at the end of each year were materially misstated.

We understand that bank reconciliations have not been performed for 2012.

All banking activity should be recorded in the UAN system in the month in which it occurs. Reconciling items on bank reconciliations should only include identifiable checks that have been written but not cleared the bank or deposits in transit that have been recorded in the UAN system but did not get posted by the bank until the next month. Any other items that do not agree between the bank and the UAN system should be investigated and corrected before completing the reconciliation, instead of merely recording a number into “other adjusting factors”.

Village response:

The current Village Fiscal Officer has noted UAN reconciliation problem since taking the position in December of 2008. Due to continuation of reconciliation problems, non-audit personnel were utilized to correct this issue. Fund balance adjustments have been made to reflect adjustments that were needed. FY 2012 accounting information currently being input into UAN to accurately reflect all accounting transactions with the completed data of the reconciliation performed by the independent accountants.

**Village of Richwood
Union County, Ohio
Schedule of Findings, continued
December 31, 2011 and 2010**

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

Finding Number 2011-02
Material Weakness

The Village Officers' Handbook Chart of Accounts appendix details the revenue and expenditure codes, name of source information, and a brief description of the type of revenue or expenditure that relates to the code.

We noted the following errors in the Village prepared financial statements that required nine and six reclassification entries in 2010 and 2011, respectively:

- In 2010, \$22,529 of rollback/homestead and tangible personal property replacement (TPP) receipts and \$9,971 of estate tax receipts were reclassified from Local Taxes to Intergovernmental, and \$6,150 of cable franchise fees were reclassified from Local Taxes to Fines, Licenses and Permits. In 2011, \$22,413 of rollback/homestead receipts was reclassified from Local Taxes to Intergovernmental, and \$6,419 of cable franchise fees were reclassified from Local Taxes to Fines, Licenses and Permits.
- In both years, local income tax receipts received from the Regional Income Tax Agency (RITA) were recorded to local income taxes net of the five percent administrative fee charged by RITA. As a result, \$22,861 and \$22,667 were reclassified to General Government from Local Taxes in 2010 and 2011, respectively.
- In 2010, proceeds from the sale of the former Village administrative offices of \$23,736 were reclassified from Miscellaneous to Sale of Fixed Assets.
- In 2010, \$130,152 of expenditures were reclassified to proper categories including General Fund expenditures for transportation, public health, capital outlay and general government were recorded as security of persons and property, capital outlay and general government were recorded as contingencies, and interest payments on debt were recorded as security of persons and property and capital outlay.
- In 2011, \$72,349 of expenditures were reclassified to proper categories including General Fund expenditures for transportation, public health, capital outlay and general government were recorded as security of persons and property, general government expenditures were recorded as contingencies, and interest payments on debt were recorded as principal payments and basic utility services.

These adjustments are reflected in the audited financial statements and the Village's books. Although the misclassifications have been corrected under audit, annual financial statements available to the public until such time as the audit was completed were materially misstated.

Village response:

These sort of transactions were input into UAN using the codes set up by the previous Fiscal Officer. This issue shall be corrected in records for FY 2012.

**Village of Richwood
Union County, Ohio
Schedule of Findings, continued
December 31, 2011 and 2010**

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

~~Finding Number 2011-03~~

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. Council does not review bank statements, cancelled checks or bank reconciliations. Council should designate a member(s) to scan the monthly bank 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. Because accurate bank reconciliations have not been performed on a timely basis since 2008, it is all the more important that the monthly bank statements be reviewed to verify that all activity, including electronic transfers, is appropriate.

Village response:

A compliance committee of Village Council has been assembled in 2011 to review such issues. The committee was made aware that reconciliation issues were present and that an independent accountant be utilized to perform a proper reconciliation. Said committee shall review all statements after input into UAN for FY 2012.

Finding Number 2011-04

Noncompliance

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.

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 did not encumber funds prior to incurring expenditures for five of twenty-nine disbursements tested in 2010 and for fourteen of thirty-one disbursements tested in 2011 and Then and Now Certificates were not prepared.

Village response:

Then and Now Certificates shall be utilized sparingly. Blanket purchase orders and certificates shall be issued to remain compliant with this issue.

**Village of Richwood
Union County, Ohio
Schedule of Findings, continued
December 31, 2011 and 2010**

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

Finding Number 2011-05
Noncompliance/Significant Deficiency

The Internal Revenue Code requires an entity to issue Internal Revenue Service Form 1099-MISC when payments for services performed for the entity by individuals not treated as employees total \$600 or more. We noted several vendors that appeared to meet this requirement in 2010 and 2011; however, the Village did not issue Form 1099-MISC to these vendors.

Village response:

Taxpayer identification requests are being prepared for all current vendors. 1099 forms shall be sent to vendors required.

Finding Number 2011-06
Significant Deficiency

For 2011, the Fiscal Officer was not able to provide complete supporting documentation for one of the items tested. The item in question was a VISA credit card bill that had seven purchases during the billing cycle totaling \$494. Supporting documentation was provided for three of the seven purchases totaling \$286, leaving \$208 in purchases that could not be supported.

Village response:

Receipts for purchases are being required to be maintained with Visa bills for each month. It should be noted that transactions with missing cash register receipts were reviewed by management and were deemed to be legitimate.

Finding Number 2011-07
Significant Deficiency

In 2010, estimated receipts entered into the UAN accounting system were \$100,000 more than the Amended Certificate of Estimated Resources for the General Fund. The UAN system has built-in safeguards to assist local governments in complying with the budgetary requirements set forth in the ORC; however, these safeguards cannot operate effectively when inaccurate budget data is input.

Village response:

Revenue receipts and budget revenue shall be reviewed by the compliance committee of council in the fourth quarter of each year. Adjustments shall be made as needed.

**Village of Richwood
Union County, Ohio
Schedule of Findings, continued
December 31, 2011 and 2010**

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

Finding Number 2011-08
Noncompliance

In April 2009, ORC Chapter 1347 was added to address the storage, use and distribution of personal information. This chapter requires that the Village adopt a written policy and appoint an individual to be responsible for a personal information system. The personal information system must protect personal information from unauthorized modification, destruction, use or disclosure. The Village has not taken action to comply with this requirement.

Village response:

A personal records policy has been adopted as part of the personnel policy manual. It is recognized that full compliance with this mandate has not been met. The Village shall take this issue into consideration for business in 2013.

Finding Number 2011-09
Noncompliance

ORC Section 149.43 requires that public offices comply with additional public records policies and respond to public records requests. Specifically, by September 29, 2007, all public offices were required to adopt a public records policy that described how the public office will be responding to public records requests. The section also details three specific items that may not be included in the public records policy. Once adopted, the public office is required to post the policy via a poster in certain locations and include it in the entity's employee manual. To date, the Village has not adopted the required public records policy.

Recent changes to ORC Section 109.43 now requires that elected officials receive three hours of public records training for each term of office. A designee, who is an employee in the public office, may receive the training on behalf of all of the elected officials. To date, the Village has not complied with this requirement.

Village response:

The Village Council shall work on legislation for a public records training on behalf of said officials.

Village of Richwood

**Union County, Ohio
Schedule of Prior Audit Findings
December 31, 2011 and 2010**

<u>Finding Number</u> <u>Explain:</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid:</u>
2009-01	Monthly bank reconciliations were not prepared in a timely manner	No	Repeated as Finding Number 2011-01.
2009-02	Bank financing not properly recorded in UAN	Yes	Finding no longer valid.
2009-03	Material classification errors in receipts and disbursements	No	Repeated as Finding Number 2011-02.
2009-04	Council does not review monthly bank statements and cancelled checks	No	Repeated as Finding Number 2011-03.
2009-05	Not filing all required IRS Form 1099-MISC	No	Repeated as Finding Number 2011-05.
2009-06	Overpaid salary to Village Administrator	Yes	Finding no longer valid.
2009-07	Appropriations exceeded estimated resources	Yes	Finding no longer valid.
2009-08	Appropriations exceeded actual resources	Yes	Finding no longer valid.
2009-09	Policy not adopted in accordance with ORC 1347; personal information	No	Repeated as Finding Number 2011-08.
2009-10	Nonelected employee holding more than one Village position	No	Finding no longer valid.

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Dave Yost • 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
MARCH 5, 2013