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1907 Grand Central Avenue
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St. Clairsville, OH 43950
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Certified Public Accountants, A.C.

**VILLAGE OF RICHWOOD
UNION COUNTY
Regular Audit**

For the Years Ended December 31, 2015 and 2014

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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Village Council
Village of Richwood
153 N. Franklin St
Richwood, OH 43344

We have reviewed the *Independent Auditor's Report* of the Village of Richwood, Union County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2015. 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 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

October 31, 2016

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VILLAGE OF RICHWOOD
UNION COUNTY

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INDEPENDENT AUDITOR'S REPORT

August 31, 2015

Village of Richwood
Union County
153 North Franklin Street
Richwood, Ohio 43344

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Richwood**, Union County, (the Village) as of and for the years ended December 31, 2015 and 2014.

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 opinions.



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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, 2015 and 2014, 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 Richwood, Union County, as of December 31, 2015 and 2014, 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 August 31, 2016, 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 RICHWOOD
UNION COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 165,471	\$ 56,159	\$ -	\$ 221,630
Municipal Income Tax	503,708	-	-	503,708
Intergovernmental	3,491	93,032	-	96,523
Charges for Services	188	695	-	883
Fines, Licenses and Permits	4,312	-	-	4,312
Earnings on Investments	6,730	1,011	-	7,741
Miscellaneous	41,802	48,077	-	89,879
<i>Total Cash Receipts</i>	<u>725,702</u>	<u>198,974</u>	<u>-</u>	<u>924,676</u>
Cash Disbursements				
Current:				
Security of Persons and Property	567,099	-	-	567,099
Leisure Time Activities	-	14,482	-	14,482
Transportation	3,573	84,882	-	88,455
General Government	166,294	-	-	166,294
Capital Outlay	38,000	38,712	-	76,712
<i>Total Cash Disbursements</i>	<u>774,966</u>	<u>138,076</u>	<u>-</u>	<u>913,042</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(49,264)</u>	<u>60,898</u>	<u>-</u>	<u>11,634</u>
Other Financing (Disbursements)				
Other Financing Uses	-	(105)	-	(105)
<i>Total Other Financing (Disbursements)</i>	<u>-</u>	<u>(105)</u>	<u>-</u>	<u>(105)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(49,264)</u>	<u>60,793</u>	<u>-</u>	<u>11,529</u>
<i>Fund Cash Balances, January 1</i>	<u>628,352</u>	<u>212,485</u>	<u>91,873</u>	<u>932,710</u>
Fund Cash Balances, December 31				
Restricted	-	273,278	91,873	365,151
Unassigned	579,088	-	-	579,088
<i>Fund Cash Balances, December 31</i>	<u>\$ 579,088</u>	<u>\$ 273,278</u>	<u>\$ 91,873</u>	<u>\$ 944,239</u>

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

**VILLAGE OF RICHWOOD
UNION COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$ 685,190	\$ -	\$ 685,190
<i>Total Operating Cash Receipts</i>	685,190	-	685,190
Operating Cash Disbursements			
Personal Services	146,944	-	146,944
Employee Fringe Benefits	62,577	-	62,577
Contractual Services	243,291	-	243,291
Supplies and Materials	126,894	-	126,894
<i>Total Operating Cash Disbursements</i>	579,706	-	579,706
<i>Operating Income</i>	105,484	-	105,484
Non-Operating Receipts (Disbursements)			
Earnings on Investments	52	-	52
Miscellaneous	100	-	100
Capital Outlay	(37,114)	-	(37,114)
Principal Retirement	(53,082)	-	(53,082)
Interest and Fiscal Charges	(17,710)	-	(17,710)
Other Financing Uses	-	(15,805)	(15,805)
<i>Total Non-Operating Receipts (Disbursements)</i>	(107,754)	(15,805)	(123,559)
<i>Net Change in Fund Cash Balances</i>	(2,270)	(15,805)	(18,075)
<i>Fund Cash Balances, January 1</i>	544,912	31,013	575,925
<i>Fund Cash Balances, December 31</i>	\$ 542,642	\$ 15,208	\$ 557,850

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

**VILLAGE OF RICHWOOD
UNION 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>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 133,035	\$ 46,101	\$ -	\$ 179,136
Municipal Income Tax	487,463	-	-	487,463
Intergovernmental	4,239	93,078	-	97,317
Charges for Services	1,735	2,155	-	3,890
Fines, Licenses and Permits	4,746	-	-	4,746
Earnings on Investments	5,185	791	-	5,976
Miscellaneous	14,832	-	-	14,832
<i>Total Cash Receipts</i>	<u>651,235</u>	<u>142,125</u>	<u>-</u>	<u>793,360</u>
Cash Disbursements				
Current:				
Security of Persons and Property	477,439	-	-	477,439
Leisure Time Activities	-	4,500	-	4,500
Transportation	-	116,275	-	116,275
General Government	116,189	-	-	116,189
Capital Outlay	77,827	23,500	-	101,327
<i>Total Cash Disbursements</i>	<u>671,455</u>	<u>144,275</u>	<u>-</u>	<u>815,730</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(20,220)</u>	<u>(2,150)</u>	<u>-</u>	<u>(22,370)</u>
Other Financing (Disbursements)				
Other Financing Uses	-	(510)	-	(510)
<i>Total Other Financing (Disbursements)</i>	<u>-</u>	<u>(510)</u>	<u>-</u>	<u>(510)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(20,220)</u>	<u>(2,660)</u>	<u>-</u>	<u>(22,880)</u>
<i>Fund Cash Balances, January 1</i>	<u>648,572</u>	<u>215,145</u>	<u>91,873</u>	<u>955,590</u>
Fund Cash Balances, December 31				
Restricted	-	212,485	91,873	304,358
Unassigned	628,352	-	-	628,352
<i>Fund Cash Balances, December 31</i>	<u>\$ 628,352</u>	<u>\$ 212,485</u>	<u>\$ 91,873</u>	<u>\$ 932,710</u>

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

**VILLAGE OF RICHWOOD
UNION COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 719,486	\$ -	\$ 719,486
<i>Total Operating Cash Receipts</i>	<u>719,486</u>	<u>-</u>	<u>\$719,486</u>
Operating Cash Disbursements			
Personal Services	133,120	-	133,120
Employee Fringe Benefits	66,768	-	66,768
Contractual Services	178,888	-	178,888
Supplies and Materials	113,955	-	113,955
Other	77,364	-	77,364
<i>Total Operating Cash Disbursements</i>	<u>570,095</u>	<u>-</u>	<u>570,095</u>
<i>Operating Income</i>	<u>149,391</u>	<u>-</u>	<u>149,391</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	34	-	34
Miscellaneous Receipts	220	-	220
Capital Outlay	(42,826)	-	(42,826)
Principal Retirement	(98,150)	-	(98,150)
Interest and Other Fiscal Charges	(22,263)	-	(22,263)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(162,985)</u>	<u>-</u>	<u>(162,985)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(13,594)</u>	<u>-</u>	<u>(13,594)</u>
<i>Fund Cash Balances, January 1</i>	<u>558,506</u>	<u>31,013</u>	<u>589,519</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 544,912</u>	<u>\$ 31,013</u>	<u>\$ 575,925</u>

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

**VILLAGE OF RICHWOOD
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 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 participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

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 Board 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 invests all available funds in a checking account and certificates of deposit.

D. Fund Accounting

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

**VILLAGE OF RICHWOOD
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

1. General Fund

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

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.

State Highway Fund – This fund receives gasoline tax and motor vehicle tax monies for constructing, maintaining and repairing Village streets.

Parks Recreation Fund – This fund receives Property and Other Taxes for maintaining the Village's parks.

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 Projects Fund:

Industrial Park Fund - This fund received state grants for the preparation of the Village's industrial park. Currently the fund is carrying a fund balance and has not received any state grant revenue during the audit period.

4. 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 Operating Fund - This fund receives charges for services from residents to cover service costs.

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

**VILLAGE OF RICHWOOD
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Fiduciary Funds (Agency Funds)

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's agency fund holds money for fire damage clean-up of property within the Village. Miscellaneous receipts into this fund are from insurance proceeds for fire damage to specific properties and once the property owners clean up, the Village remits monies to the owners.

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. Appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**VILLAGE OF RICHWOOD
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**VILLAGE OF RICHWOOD
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2015	2014
Demand Deposits	\$ 777,362	\$ 790,923
Certificates of Deposit	724,727	717,712
Total Deposits	\$ 1,502,089	\$ 1,508,635

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, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 693,701	\$ 725,702	\$ 32,001
Special Revenue	150,000	198,974	48,974
Enterprise	663,200	685,342	22,142
Total	\$ 1,506,901	\$ 1,610,018	\$ 103,117

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 786,612	\$ 774,966	\$ 11,646
Special Revenue	198,200	138,181	60,019
Capital Projects	12,000	-	12,000
Enterprise	796,050	687,612	108,438
Total	\$ 1,792,862	\$ 1,600,759	\$ 192,103

**VILLAGE OF RICHWOOD
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 590,000	\$ 651,235	\$ 61,235
Special Revenue	125,000	142,125	17,125
Enterprise	644,102	719,740	75,638
Total	\$ 1,359,102	\$ 1,513,100	\$ 153,998

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 766,521	\$ 671,456	\$ 95,065
Special Revenue	173,050	144,785	28,265
Capital Projects	12,000	-	12,000
Enterprise	880,538	733,334	147,204
Total	\$ 1,832,109	\$ 1,549,575	\$ 282,534

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 1 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 RICHWOOD
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
OPWC Loan CK09D	\$ 26,602	0.00%
OWDA Loan #3341	173,903	6.39%
GMAC Revenue Bond Loan	82,000	5.00%
Total	\$ 282,505	

The Village obtained a loan from OPWC in 2002 for water line improvements. The loan is due in semi-annual payments of \$2,046 through 2022 at an interest rate of 0.00%.

The Village obtained a loan in from OWDA in 2002 for water system improvements. The loan is due in semi-annual installments of \$10,792 through 2027 at an interest rate of 6.39%.

The Village issued mortgage revenue bonds for water system improvements through the General Motors Acceptance Corporation. The bonds are due in annual installments of varying amounts through 2017 at an interest rate of 5.00%.

The Village obtained a commercial loan through the Richwood Banking Company. The loan payments are due in annual installments of \$49,608 through 2014 at an interest rate of 4.00%. The loan was paid off in 2014.

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

Year ending December 31:	OPWC	OWDA	GMAC Revenue Bond
2016	\$ 4,092	\$ 21,583	\$ 45,000
2017	4,092	21,583	45,000
2018	4,092	21,583	-
2019	4,092	21,583	-
2020	4,092	21,583	-
2021-2025	6,142	107,915	-
2026-2030	-	10,791	-
Total	\$ 26,602	\$ 226,621	\$ 90,000

**VILLAGE OF RICHWOOD
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

7. RETIREMENT SYSTEMS

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For the period of January 1, 2014 through June 30, 2014, OP&F participants contributed 10.75% of their wages. For the period of July 1, 2014 through June 30, 2015, OP&F participants contributed 11.5% of their wages. For the period of July 1, 2015 through December 31, 2015, OP&F participants contributed 12.25% of their wages. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5% of employee wages. For 2015 and 2014, 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, 2015.

8. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

**VILLAGE OF RICHWOOD
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

8. RISK MANAGEMENT (Continued)

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$15,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$ 21,162	\$ 23,158

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. 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

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

104 South Sugar 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

August 31, 2016

Village of Richwood
Union County
153 North Franklin Street
Richwood, Ohio 43344

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the **Village of Richwood**, Union County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated August 31, 2016, 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 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. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 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 •



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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2015-003.

We also noted certain matters not requiring inclusion in this report that we reported to management in a separate letter dated August 31, 2016.

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 RICHWOOD
UNION COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as indicated in the Ohio Village Handbook.

During 2015 and 2014, several receipts and disbursements were not posted into accurate classifications based on the source of the receipt or disbursement. The following posting errors were noted:

- The Village posted disbursements as Other Financing Uses instead of General Government, Security of Persons and Property, and Transportation in 2015 and 2014;
- Debt payments were not properly allocated to principal and interest in 2015 and 2014.

Not posting revenues and disbursements accurately resulted in the financial statements requiring several reclassifications. The accompanying financial statements reflect all reclassifications.

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

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

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

FINDING NUMBER 2015-002

Material Weakness

Bank Reconciliations

Bank Reconciliations should be prepared monthly in a timely and accurate manner. Throughout the audit period, the Fiscal Officer did not reconcile the end of month bank balance to accurate end of month cash balances per the Village's accounting system.

The lack of accurate and timely performance of monthly bank reconciliations resulted in numerous errors which remained undetected and uncorrected until performance of the audit. These errors resulted in adjustments to the accounting system and financial statements to present accurate cash balances at year end. The accompanying financial statements reflect these adjustments. The Village has recorded these adjustments in its accounting records.

**VILLAGE OF RICHWOOD
UNION COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-002 (Continued)

Material Weakness (Continued)

Bank Reconciliations (Continued)

We recommend the Fiscal Officer reconcile the month end bank balance to the cash balance per the accounting system on a monthly basis. We also recommend this reconciliation be reviewed and approved, as indicated by the signature of reviewing members of Village Council.

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

FINDING NUMBER 2015-003

Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

VILLAGE OF RICHWOOD
UNION COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2015-003 (Continued)

Noncompliance (Continued)

3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 1 of 15 (7%) of the expenditures tested for 2015 and for 7 of 8 (88%) of the expenditures tested for 2014.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

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

**VILLAGE OF RICHWOOD
UNION COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Posting of Receipts and Disbursements	No	Not Corrected, Repeated as 2015-001
2013-002	Ohio Revised Code 5705.41(D)	No	Not Corrected, Repeated as 2015-003

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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
NOVEMBER 10, 2016