



**VILLAGE OF RICHWOOD  
UNION COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**



VILLAGE OF RICHWOOD  
UNION COUNTY

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

### ***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 such 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.

***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, 2017 and 2016, and the respective changes in financial position 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Richwood, Union County as of December 31, 2017 and 2016, 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 June 3, 2019, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

June 3, 2019

VILLAGE OF RICHWOOD  
UNION COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 169,549	\$ 59,433	\$ -	\$ 228,982
Municipal Income Tax	546,585	-	-	546,585
Intergovernmental	2,554	864,758	-	867,312
Charges for Services	568	545	-	1,113
Fines, Licenses and Permits	2,237	-	-	2,237
Earnings on Investments	484	90	-	574
Miscellaneous	37,543	140	-	37,683
<i>Total Cash Receipts</i>	<u>759,520</u>	<u>924,966</u>	<u>-</u>	<u>1,684,486</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	584,901	-	-	584,901
Leisure Time Activities	-	17,307	-	17,307
Transportation	-	81,711	-	81,711
General Government	136,424	-	-	136,424
Capital Outlay	34,788	1,036,694	-	1,071,482
<i>Total Cash Disbursements</i>	<u>756,113</u>	<u>1,135,712</u>	<u>-</u>	<u>1,891,825</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,407</u>	<u>(210,746)</u>	<u>-</u>	<u>(207,339)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds	-	251,000	-	251,000
Other Financing Uses	(10,275)	-	-	(10,275)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(10,275)</u>	<u>251,000</u>	<u>-</u>	<u>240,725</u>
<i>Net Change in Fund Cash Balances</i>	(6,868)	40,254	-	33,386
<i>Fund Cash Balances, January 1</i>	<u>575,885</u>	<u>224,999</u>	<u>91,873</u>	<u>892,757</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	271,219	91,873	363,092
Assigned	230,331	-	-	230,331
Unassigned	338,686	(5,966)	-	332,720
<i>Fund Cash Balances, December 31</i>	<u>\$ 569,017</u>	<u>\$ 265,253</u>	<u>\$ 91,873</u>	<u>\$ 926,143</u>

See accompanying notes to the basic financial statements

VILLAGE OF RICHWOOD  
UNION COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 684,974	\$ -	\$ 684,974
<i>Total Operating Cash Receipts</i>	<u>684,974</u>	<u>-</u>	<u>684,974</u>
<b>Operating Cash Disbursements</b>			
Personal Services	169,527	-	169,527
Employee Fringe Benefits	66,955	-	66,955
Contractual Services	217,574	-	217,574
Supplies and Materials	120,303	-	120,303
<i>Total Operating Cash Disbursements</i>	<u>574,359</u>	<u>-</u>	<u>574,359</u>
<i>Operating Income</i>	<u>110,615</u>	<u>-</u>	<u>110,615</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Earnings on Investments (proprietary funds only)	6	-	6
Other Debt Proceeds	36,250	-	36,250
Miscellaneous Receipts	485	-	485
Capital Outlay	(28,609)	-	(28,609)
Principal Retirement	(69,030)	-	(69,030)
Interest and Other Fiscal Charges	(8,573)	-	(8,573)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(69,471)</u>	<u>-</u>	<u>(69,471)</u>
<i>Net Change in Fund Cash Balances</i>	41,144	-	41,144
<i>Fund Cash Balances, January 1</i>	<u>671,768</u>	<u>15,208</u>	<u>686,976</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 712,912</u>	<u>\$ 15,208</u>	<u>\$ 728,120</u>

See accompanying notes to the basic financial statements



**VILLAGE OF RICHWOOD  
UNION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017**

**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.

***Jointly Governed Organizations and Public Entity Risk Pools***

The Village participates in a jointly governed organization and a public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities.

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

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

**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:

**1. General Fund**

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

**VILLAGE OF RICHWOOD  
UNION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

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

Parks and Recreation Fund – This fund receives property taxes and on-behalf receipts from an OPWC grant award for operating, maintaining and repairing the Village park.

**3. Capital Project Funds**

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

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

**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.

**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.

**VILLAGE OF RICHWOOD  
UNION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2017 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**VILLAGE OF RICHWOOD  
UNION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017  
(Continued)**

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

**F. Fund Balance (Continued)**

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Capital Assets**

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

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**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:

	<u>2017</u>
Demand Deposits	\$ 929,536
Certificates of Deposit	<u>724,727</u>
Total Deposits	\$ 1,654,263

**VILLAGE OF RICHWOOD  
UNION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017  
(Continued)**

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

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2017 follows:

**Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$693,701	\$759,520	\$65,819
Special Revenue	3,117,461	1,175,966	(1,941,495)
Capital Projects	0	0	0
Enterprise	605,400	721,715	116,315
<b>Total</b>	<b>\$4,416,562</b>	<b>\$2,657,201</b>	<b>(\$1,759,361)</b>

**Budgeted vs. Actual Expenditures**

Fund Type	Budgetary Authority	Actual Expenditures	Variance
General	\$807,412	\$766,388	\$41,024
Special Revenue	3,165,027	1,135,712	2,029,315
Capital Projects	12,000	0	12,000
Enterprise	855,540	680,571	174,969
<b>Total</b>	<b>\$4,839,979</b>	<b>\$2,582,671</b>	<b>\$2,257,308</b>

**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.

**VILLAGE OF RICHWOOD  
UNION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017  
(Continued)**

**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.

**6. DEBT**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan CK09D	\$18,417	0.00%
OWDA Loan #3341	151,937	6.39%
OWDA Loan #7251	121,250	0.00%
OPWC Loan CK28Q	214,778	0.00%
OPWC Loan CT38T	<u>251,000</u>	0.00%
Total	\$ 757,382	

The Village obtained loan CK09D 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 was approved for loan CK28Q from OPWC in 2013 for water line replacement. In 2016, the CK28Q final loan amount and the amortization schedule was finalized. The loan is due in semi-annual payment of \$5,805 through 2036 at an interest rate of 0.00%.

The Village obtained loan 3341 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 obtained Water Pollution Control Loan 7251 from OWDA in 2016 for planning in the amount of \$121,250. The Village is eligible to receive up to \$145,000 from this loan. The amortization schedule was not available at December 31, 2017 since the Village was still able to draw funds from this loan.

The Village obtained loan CT38T from OPWC in 2017 for street construction. The loan is due in semi-annual payments of \$4,213 through 2047 at an interest rate of 0.00%.

**VILLAGE OF RICHWOOD  
UNION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017  
(Continued)**

**6. DEBT (Continued)**

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

Year ending December 31:	OPWC	OWDA
2018	22,332	18,022
2019	24,129	18,315
2020	24,129	18,627
2021	24,129	18,959
2022	22,083	19,313
2023-2027	100,181	91,939
2028-2032	100,181	0
2033-2037	82,767	0
2038-2042	42,133	0
2043-2047	42,131	0
Total	\$ 484,195	\$ 185,175

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2017, 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, 2017.

Ohio Police and Fire Retirement System – The Village's certified full-time Police Officers being to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

**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.

**VILLAGE OF RICHWOOD  
UNION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

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, 2017, 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, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, 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.

<b><u>2017 Contributions to PEP</u></b> <b>\$ 24,043</b>
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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.



**VILLAGE OF RICHWOOD  
UNION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017  
(Continued)**

**9. JOINTLY GOVERNED ORGANIZATIONS**

The Village of Richwood, Claiborne Township, Jackson Township and York Township appoint one member to the Board of Trustees of the Northern Union County Joint Fire and EMS District. The Northern Union County Joint Fire & EMS District provides fire protection and rescue services within the District.

**10. CONTINGENT LIABILITIES**

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

VILLAGE OF RICHWOOD  
UNION COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 165,596	\$ 58,208	\$ -	\$ 223,804
Municipal Income Tax	529,473	-	-	529,473
Intergovernmental	2,664	200,127	-	202,791
Charges for Services	721	832	-	1,553
Fines, Licenses and Permits	2,538	-	-	2,538
Earnings on Investments	468	121	-	589
Miscellaneous	16,471	1,520	-	17,991
<i>Total Cash Receipts</i>	<u>717,931</u>	<u>260,808</u>	<u>-</u>	<u>978,739</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	538,140	-	-	538,140
Leisure Time Activities	-	16,020	-	16,020
Transportation	-	84,221	-	84,221
General Government	159,807	-	-	159,807
Capital Outlay	12,021	208,846	-	220,867
<i>Total Cash Disbursements</i>	<u>709,968</u>	<u>309,087</u>	<u>-</u>	<u>1,019,055</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,963</u>	<u>(48,279)</u>	<u>-</u>	<u>(40,316)</u>
<b>Other Financing Disbursements</b>				
Other Financing Uses	(11,166)	-	-	(11,166)
<i>Total Other Financing Disbursements</i>	<u>(11,166)</u>	<u>-</u>	<u>-</u>	<u>(11,166)</u>
<i>Net Change in Fund Cash Balances</i>	(3,203)	(48,279)	-	(51,482)
<i>Fund Cash Balances, January 1</i>	<u>579,088</u>	<u>273,278</u>	<u>91,873</u>	<u>944,239</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	249,999	91,873	341,872
Assigned	113,711	-	-	113,711
Unassigned	462,174	(25,000)	-	437,174
<i>Fund Cash Balances, December 31</i>	<u>\$ 575,885</u>	<u>\$ 224,999</u>	<u>\$ 91,873</u>	<u>\$ 892,757</u>

See accompanying notes to the basic financial statements

VILLAGE OF RICHWOOD  
UNION COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 691,435	\$ -	\$ 691,435
<i>Total Operating Cash Receipts</i>	<u>691,435</u>	<u>-</u>	<u>691,435</u>
<b>Operating Cash Disbursements</b>			
Personal Services	130,359	-	130,359
Employee Fringe Benefits	64,141	-	64,141
Contractual Services	267,341	-	267,341
Supplies and Materials	128,485	-	128,485
<i>Total Operating Cash Disbursements</i>	<u>590,326</u>	<u>-</u>	<u>590,326</u>
<i>Operating Income</i>	<u>101,109</u>	<u>-</u>	<u>101,109</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	19,595	-	19,595
Earnings on Investments (proprietary funds only)	3	-	3
Other Debt Proceeds	136,682	-	136,682
Miscellaneous Receipts	100	-	100
Capital Outlay	(56,161)	-	(56,161)
Principal Retirement	(61,251)	-	(61,251)
Interest and Other Fiscal Charges	(10,951)	-	(10,951)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>28,017</u>	<u>-</u>	<u>28,017</u>
<i>Net Change in Fund Cash Balances</i>	<u>129,126</u>	<u>-</u>	<u>129,126</u>
<i>Fund Cash Balances, January 1</i>	<u>542,642</u>	<u>15,208</u>	<u>557,850</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 671,768</u>	<u>\$ 15,208</u>	<u>\$ 686,976</u>

See accompanying notes to the basic financial statements

**VILLAGE OF RICHWOOD  
UNION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**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.

***Jointly Governed Organizations and Public Entity Risk Pools***

The Village participates in a jointly governed organization and a public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities.

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

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

**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:

**1. General Fund**

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

**VILLAGE OF RICHWOOD  
UNION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

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

Parks and Recreation Fund – This fund receives property taxes and on-behalf receipts from an OPWC grant award for operating, maintaining and repairing the Village park.

**3. Capital Project Funds**

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

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

**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.

**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.

**VILLAGE OF RICHWOOD  
UNION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

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

A summary of 2016 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**VILLAGE OF RICHWOOD  
UNION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

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

**F. Fund Balance (Continued)**

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Capital Assets**

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

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**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:

	<u>2016</u>
Demand Deposits	\$ 855,006
Certificates of Deposit	<u>\$ 724,727</u>
Total Deposits	\$ 1,579,733

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

**VILLAGE OF RICHWOOD  
UNION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2016 follows:

**Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$693,701	\$717,931	\$24,230
Special Revenue	191,500	260,808	69,308
Capital Projects	0	0	0
Enterprise	759,477	847,815	88,338
Total	\$1,644,678	\$1,826,554	\$181,876

**Budgeted vs. Actual Expenditures**

Fund Type	Budgetary Authority	Actual Expenditures	Variance
General	\$782,412	\$721,134	\$61,278
Special Revenue	336,466	309,087	27,379
Capital Projects	12,000	0	12,000
Enterprise	957,732	718,689	234,043
Total	\$2,083,610	\$1,748,910	\$334,700

**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 YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan CK09D	\$22,510	0.00%
OWDA Loan #3341	163,266	6.39%
GMAC Revenue Bond Loan	42,000	5.00%
OWDA Loan #7251	85,000	0.00%
OPWC Loan CK28Q	<u>226,387</u>	0.00%
Total	\$ 539,163	

The Village obtained loan CK09D 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 was approved for loan CK28Q from OPWC in 2013 for water line replacement. The Village is eligible to receive up to \$236,187 from this loan. The Village received on-behalf monies of \$51,682 through this loan in 2016. In 2016, the CK28Q final loan amount and the amortization schedule was finalized. The loan is due in semi-annual payment of \$5,805 through 2036 at an interest rate of 0.00%.

The Village obtained loan 3341 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 obtained Water Pollution Control Loan 7251 from OWDA in 2016 for planning in the amount of \$85,000. The Village is eligible to receive up to \$145,000 from this loan. The amortization schedule was not available at December 31, 2016 since the Village was still able to draw funds from this loan.

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%.

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

<b>Year Ending December 31:</b>	<b>OPWC</b>	<b>OWDA</b>	<b>Revenue Bond</b>
2017	15,702	17,747	44,100
2018	15,702	18,022	-
2019	15,702	18,315	-
2020	15,702	18,627	-
2021	15,702	18,959	-
2022-2026	60,094	100,586	-
2027-2031	58,048	10,666	-
2032-2036	<u>52,243</u>	<u>-</u>	<u>-</u>
	248,895	202,922	44,100

**VILLAGE OF RICHWOOD  
UNION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2016, 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, 2016.

Ohio Police and Fire Retirement System – The Village's certified full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

**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, 2016, 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, 2016.

**VILLAGE OF RICHWOOD  
UNION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

	<b><u>2016</u></b>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, 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.

<b><u>2016 Contributions to PEP</u></b>
<b>\$23,554</b>

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. JOINTLY GOVERNED ORGANIZATIONS**

The Village of Richwood, Claiborne Township, Jackson Township and York Township appoint one member to the Board of Trustees of the Northern Union County Joint Fire and EMS District. The Northern Union County Joint Fire & EMS District provides fire protection and rescue services within the Village.

**10. CONTINGENT LIABILITIES**

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

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# OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Village Council:

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, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 3, 2019, 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 findings that we consider material weaknesses. We consider findings 2017-001 through 2017-005 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2017-004 and 2017-005.

***Village's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

June 3, 2019

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

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

**FINDING NUMBER 2017-001**

**Timely Posting of Transactions / Monthly Bank Reconciliations / Council Monitoring  
Material Weakness**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The fiscal officer is responsible for posting all receipt and disbursement transactions of the Village as those transactions occur and for reconciling the book (fund) balance to the total bank balance on a monthly basis. The Council is responsible for holding the fiscal officer accountable for timely and accurate accounting of Village financial transactions. The Council should be requesting financial reports and accurate bank reconciliations and supporting documentation be provided once a month for review.

During 2016, the fiscal officer posted most of the receipts and disbursements (other than wages) to the accounting system from December 2016 through February 2017. During 2017, the fiscal officer did batch posting of receipts and disbursements (other than wages) in June of 2017 and February of 2018. In addition, interest earned from matured CD's in 2016 and 2017 was not posted to the ledgers. Consequently, the monthly bank to book reconciliations were not prepared by the fiscal officer for all of 2017 and 2016 until February of each subsequent year. Due to the above noted items, the Council neither reviewed bank-to-book reconciliations or accurate financial reports during either 2017 or 2016.

Furthermore, the Villages' December 31, 2017 outstanding checklist included 39 checks outstanding for more than a year (some which date back to 2010), totaling \$22,612.

Failure to reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements. The lack of timely posting of financial activity, reconciliation of bank-to-book, and Council review of system-generated financial reports contributed to those misstatements identified in Finding 2017-002.

We recommend the fiscal officer record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances, in a timely manner. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews. We lastly recommend the fiscal officer provide the Council monthly system-generated financial reports, including detailed revenue and expenditure transaction reports, budget versus actual revenue and expenditure reports, and fund balance reports. These reports should be reviewed by the Council and appropriate follow-up should be made regarding any unusual balances or transactions.

**VILLAGE OF RICHWOOD  
UNION COUNTY**  
**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-001**

**Timely Posting of Transactions / Monthly Bank Reconciliations / Council Monitoring  
Material Weakness (Continued)**

**Officials' Response**

The Council will review all reconciliations with the Fiscal Officer for the months of January through March each year in April, the months April through June each year in July, the months of July through September each year in October, and the months of October through December in January each year. The reconciliations will be performed monthly and approved by Council during each of these review sessions.

**FINDING NUMBER 2017-002**

**Financial Reporting  
Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In addition to the adjustments included in Findings 2017-004 and 2017-005, the following material reclassifications were posted to the Village's financial statements and/or accounting records for the fiscal year ended December 31, 2016:

- Reclassification of \$19,595 in grant receipts from Charges for Services to Intergovernmental within the Enterprise Fund.
- Reclassification of \$113,711 of General Fund Balance from Unassigned to Assigned for the portion of existing fund balance included as a budgetary resource.
- Reclassification of \$60,000 in OWDA loans received from Charges for Services to Other Debt Proceeds in the Sewer Enterprise fund.
- Reclassification of \$3,000 in principal payments posted as interest payments and \$6,851 in interest payments posted as principal in the Enterprise fund.

In addition to the adjustments listed above for 2016, we also identified additional misstatements ranging from \$19 to \$13,417 that we have brought to the Village's attention.

In addition to the adjustments included in Findings 2017-004 and 2017-005, the following material reclassifications were posted to the Village's financial statements and/or accounting records for the fiscal year ended December 31, 2017:

- Reclassification of \$230,331 of General Fund Balance from Unassigned to Assigned for the portion of existing fund balance included as a budgetary resource.
- Reclassification of \$36,250 in OWDA loans received from Charges for Services to Other Debt Proceeds in the Sewer Enterprise fund.
- Reclassification of \$8,961 in principal and interest payments posted as capital outlay and \$3,265 in interest payments posted as principal payments in the Water Enterprise fund.



**VILLAGE OF RICHWOOD  
UNION COUNTY**  
**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-002 (Continued)**

**Financial Reporting  
Material Weakness**

In addition to the adjustments listed above for 2017, we also identified additional misstatements ranging from \$19 to \$12,610 that we have brought to the Village's attention.

Lastly, adjustments were made to the 2017 and 2016 notes to the financial statements to include the Parks and Recreation Fund as a significant Special Revenue Fund in Note 1, to ensure all debt issuances are included in Note 6, and to include Ohio Police & Fire as a retirement system in Note 7.

Lack or failure of controls over classifying transactions, posting of financial transactions and financial reporting can result in errors and irregularities that may be disseminated to the governing board, management and financial statement readers.

We recommend the Village implement internal control procedures over financial reporting to help ensure the completeness and accuracy of financial information reported within the Village's financial report. The adjustments identified during the audit should be reviewed by the fiscal officer to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Village Council should review the financial statements and note disclosures to identify and correct errors and omissions.

**Officials' Response**

The Fiscal Officer will be advised to review notes to the Financial Records each year with Council before submitting with the AFR.

**FINDING NUMBER 2017-003**

**Segregation of Duties  
Material Weakness**

**Ohio Admin. Code § 117-2-01(D)(4)** states, in part, when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

During 2017 and 2016, the Administrative Assistant entered the meter reads in the system, sent out bills, received payments, entered payments into the water and sewer utility billing system and deposited the money with the bank. The Administrative Assistant also assisted in reading meters and completed adjustments in the utility billing system. As of December 31, 2017, there were no controls or compensating controls (such as review or approval of the meter read entries, bills, daily payment reconciliations, deposit slips or adjustments) in place to prevent and/or detect a misstatement of utility receipts.

Failure to have proper segregation of duties may result in errors or irregularities or undetected fraud.

**VILLAGE OF RICHWOOD  
UNION COUNTY**  
**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-003**

**Segregation of Duties  
Material Weakness**

We recommend the Village provide for adequate segregation of duties in its water and sewer process. This should include, but not be limited to, ensuring an employee is not capable of accessing all aspects of an account process without proper review or monitoring. We also recommend monitoring of receipt activity and adjustments via documented reviews of receipt collection reports.

**Officials' Response**

The Village acknowledges that this issue is noteworthy. Due to the lack of personnel the process of allowing the Billing Clerk to read meters was originally started. We shall strive to install additional auto read meters which will require significantly less manpower to read.

**FINDING NUMBER 2017-004**

**On-Behalf Payments  
Noncompliance / Material Weakness**

**Ohio Rev. Code § 5705.42** requires, in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. In addition, Auditor of State (AOS) Bulletin 2000-008 indicates when a local government enters into an on-behalf-of program agreement with another local government or the State, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

In 2017 and 2016, the Ohio Public Works Commission (OPWC) expended \$992,850 and \$157,682, respectively, for project on-behalf of the Village. Under the terms of these agreements, OPWC made project payments directly to the vendor/contractor on the Village's behalf. These amounts were not recognized as receipts and disbursements, nor were they included in the appropriations or estimated resources, in the Village's accounting records, thus understating intergovernmental receipts, debt proceeds, and capital outlay disbursements, along with understating appropriations and estimated resources in the Street Construction, Maintenance & Repair, Parks & Recreation, and Water Operating funds. This was caused by the Village not having procedures in place for recording on-behalf of payments. Adjustments were made to the financial statements and notes to recognize these receipts and disbursements.

By not properly recording on-behalf payments, the Village cannot report accurate financial activity to its constituents.

Any payments made on behalf of the Village by another party should be recorded by the Village as receipts and disbursements. See AOS Bulletin 2000-008 for further guidance on posting the on-behalf of activity. Failure to do so results in an understatement of receipts and disbursements. Additionally, since this grant is deemed to be appropriated pursuant to Ohio Rev. Code Section 5705.42, the Village should record the appropriations in their accounting records and should request an amended certificate of estimated resources to reflect the additional receipts.

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-004**

**On-Behalf Payments  
Noncompliance / Material Weakness**

**Officials' Response**

The Fiscal Officer will seek out additional instruction for adding these sort of transactions to the Financial Statements for the future. These are not historically typical transactions for the Village.

**FINDING NUMBER 2017-005**

**Restricted Monies  
Noncompliance / Material Weakness**

**Ohio Rev. Code § 5705.10(I)** states that money paid into any fund shall be used only for the purposes for which such fund was established.

During 2017 and 2016, the Village erroneously posted permissive motor vehicle license taxes levied by the Council (\$33,471 and \$33,377, respectively) to the Street Construction, Maintenance and Repair Special Revenue Fund rather than to the Permissive Motor Vehicle License Tax Special Revenue Fund. Additionally, the Village erroneously posted Edward Byrne Memorial Justice Assistance Grant receipts (\$25,000 in 2017) to the Sewer Enterprise fund rather than to the Enforcement & Education Special Revenue Fund and disbursements (\$25,000 in 2016) to the General Fund rather than to the Enforcement & Education Special Revenue Fund. Lastly, the Village erroneously posted Ohio Water Development Authority (OWDA) loans in the amount of \$25,000 to the Parks & Recreation Special Revenue Fund rather than to the Sewer Enterprise Fund in 2016.

Lack or failure of controls over posting of financial transactions could result in monies being expended for unallowable purposes.

We recommend the Village closely monitor financial activity to ensure that restricted receipts and disbursements are only being applied to the fund established for such purposes. The Village has agreed to and posted adjustments which are reflected in the Village's ledgers and/or financial statements.

**Officials' Response:**

The Fiscal Officer will more closely monitor the funds for proper classification of receipts. The fund balance adjustments prescribed by the AOS are complete. Further, the Village has started the new fund for Permissive Motor Vehicle License Fees as prescribed by your audit.

**VILLAGE OF RICHWOOD  
UNION COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Posting Receipts and Disbursements	Not corrected and reissued as Finding 2017-002.	Recurrence due to timing of the prior audit. Refer to the <i>Officials' Response</i> within Finding 2017-002 for planned corrective action.
2015-002	Bank Reconciliations	Not corrected and reissued as Finding 2017-001.	Recurrence due to timing of the prior audit. Refer to the <i>Officials' Response</i> within Finding 2017-001 for planned corrective action.
2015-003	Purchase Orders – Ohio Rev. Code § 5705.41(D)	Fully Corrected	

OHIO AUDITOR OF STATE  
**KEITH FABER**



**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  
JUNE 27, 2019**