



**Auditor of State
Betty Montgomery**

VILLAGE OF RIDGEWAY
HARDIN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of Council:

We have audited the accompanying financial statements of the Village of Ridgeway, Hardin County (the "Village"), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, Council, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 19, 2003

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$3,667	\$6,670		\$10,337
Intergovernmental Receipts	9,857	19,315	930	30,102
Charges for Services	1,260	326		1,586
Earnings on Investments	2,746	691		3,437
Miscellaneous	1,472	603		2,075
	<u>19,002</u>	<u>27,605</u>	<u>930</u>	<u>47,537</u>
Total Cash Receipts				
	<u>19,002</u>	<u>27,605</u>	<u>930</u>	<u>47,537</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	4,302	20,553		24,855
Public Health Services	3,453			3,453
Transportation		3,785		3,785
General Government	23,408	237		23,645
Capital Outlay			930	930
	<u>31,163</u>	<u>24,575</u>	<u>930</u>	<u>56,668</u>
Total Cash Disbursements				
	<u>31,163</u>	<u>24,575</u>	<u>930</u>	<u>56,668</u>
Total Receipts Over/(Under) Disbursements	(12,161)	3,030	0	(9,131)
Fund Cash Balances, January 1	19,029	93,317	0	112,346
	<u>19,029</u>	<u>93,317</u>	<u>0</u>	<u>112,346</u>
Fund Cash Balances, December 31	<u>\$6,868</u>	<u>\$96,347</u>	<u>\$0</u>	<u>\$103,215</u>
Reserves for Encumbrances, December 31	\$1,567	\$0	\$0	\$1,567
	<u>\$1,567</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,567</u>

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

VILLAGE OF RIDGEWAY
HARDIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Miscellaneous	\$7
Operating Cash Disbursements	<u>0</u>
Receipts Over Disbursements	7
Fund Cash Balance, January 1	<u>287</u>
Fund Cash Balance, December 31	<u><u>\$294</u></u>

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

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$9,820	\$6,507		\$16,327
Intergovernmental Receipts	11,861	14,480	14,070	40,411
Charges for Services	1,300	2,800		4,100
Earnings on Investments	3,681	798		4,479
Miscellaneous	2,441	209		2,650
	<u>29,103</u>	<u>24,794</u>	<u>14,070</u>	<u>67,967</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	7,699	7,996		15,695
Public Health Services	4,771			4,771
Basic Utility Services	564			564
Transportation		7,535		7,535
General Government	27,092	318		27,410
Capital Outlay			14,070	14,070
	<u>40,126</u>	<u>15,849</u>	<u>14,070</u>	<u>70,045</u>
Total Receipts Over/(Under) Disbursements	(11,023)	8,945	0	(2,078)
Other Financing Receipts:				
Sale of Fixed Assest		2,305		2,305
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(11,023)	11,250	0	227
Fund Cash Balances, January 1	30,052	82,067	0	112,119
Fund Cash Balances, December 31	<u>\$19,029</u>	<u>\$93,317</u>	<u>\$0</u>	<u>\$112,346</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

VILLAGE OF RIDGEWAY
HARDIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Miscellaneous	\$10
Operating Cash Disbursements	<u>0</u>
Receipts Over Disbursements	10
Fund Cash Balance, January 1	<u>277</u>
Fund Cash Balance, December 31	<u><u>\$287</u></u>

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

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Ridgeway, Hardin County, (the "Village"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, street maintenance, and cemetery maintenance. The Village contracts with the Hardin County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Village's checking account, certificates of deposit and savings account are valued at cost.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Community Development Block Grant Fund – The Village received a grant from the State of Ohio to repair sidewalks.

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. The Village had the following significant fiduciary fund:

Cemetery Bequest Fund – This fund accounts for funds that were donated and are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when 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 2002 and 2001 budgetary activity appears in Note 3.

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$59,648	\$59,204
Savings account	294	288
Certificates of deposit	43,567	53,141
Total deposits	\$103,509	\$112,633

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 was as follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$18,543	\$19,002	\$459
Special Revenue	24,779	27,605	2,826
Capital Projects	930	930	0
Nonexpendable Trust	6	7	1
Total	\$44,258	\$47,544	\$3,286

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$35,190	\$32,730	\$2,460
Special Revenue	33,604	24,575	9,029
Capital Projects	930	930	0
Nonexpendable Trust	0	0	0
Total	\$69,724	\$58,235	\$11,489

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,428	\$29,103	\$3,675
Special Revenue	19,536	27,099	7,563
Capital Projects	14,070	14,070	0
Nonexpendable Trust	8	10	2
Total	\$59,042	\$70,282	\$11,240

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$53,575	\$40,126	\$13,449
Special Revenue	27,102	15,849	11,253
Capital Projects	14,070	14,070	0
Nonexpendable Trust	0	0	0
Total	\$94,747	\$70,045	\$24,702

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

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

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.

The Village's income tax ordinance became effective on October 10, 2002.

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Members of Council:

We have audited the financial statements of Village of Ridgeway, Hardin County (the "Village"), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 19, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-30233-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 19, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-30233-002.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 19, 2003.

This report is intended solely for the information and use of the management, and Council, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

April 19, 2003

VILLAGE OF RIDGEWAY
HARDIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-30233-001

Ohio Rev. Code Section 5705.41(D) states that no order or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that she is completing his certification, 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. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts less than \$1,000 for villages may be paid by the fiscal officer without such certificate of the taxing authority 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.

Twenty-three percent of the transactions tested were not certified by the Clerk/Treasurer prior to making orders for the expenditure of the Village funds. In addition, neither of the two exceptions above was utilized for these transactions. Procedures should be implemented not only to help assure compliance with this requirement, but to help prevent the unauthorized obligation of Village funds.

FINDING NUMBER 2002-30233-002

Monitoring of Fund Balance Versus Investment Balance

The financial officer of a public entity should maintain in each fund an amount of active deposits to meet the current operating demands of the entity. Balances in excess of the current operating demands for individual funds can be placed into interim or inactive deposits or investments depending on the short and long term anticipated needs of the entity. The Village had funds with designated certificates of deposit that were greater than the respective fund balance at December 31, 2001. These funds are: 1) General Fund - certificate of deposit for \$23,481 and a fund balance of \$19,026; and 2) Special Revenue Ditch Fund - certificate of deposit for \$10,093 and a fund balance of \$1,666. The Village had funds with designated certificates of deposit that were greater than the respective fund balance at December 31, 2002. These funds are: 1) General Fund - certificate of deposit for \$12,744 and a fund balance of \$6,879; 2) Special Revenue Ditch Fund - certificate of deposit for \$10,603 and a fund balance of \$695; and 3) Special Revenue Fire Apparatus Fund - certificate of deposit for \$20,219 and a fund balance of \$18,328.

FINDING NUMBER 2002-30233-002
(Continued)

As a result of these deficiencies, money from other funds was used to cover the current operating expenses of these funds.

When these certificates of deposit mature, the proceeds should be put into the checking account to be used for the operations of all funds.

The Village Council should review future investment decisions and then continue to monitor fund balances to help assure that adequate money for each fund is maintained in the active deposits.

VILLAGE OF RIDGEWAY
HARDIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 and 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-30233-001	Ohio Revised Code Section 5705.41(D) for not properly certifying all non-payroll expenditures	No	Repeated as finding 2002-30233-001



**Auditor of State
Betty Montgomery**

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VILLAGE OF RIDGEWAY

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 3, 2003**