



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF RIDGEWAY
HARDIN COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Ridgeway, Hardin County, Ohio (the Village).

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.

Efficient • Effective • Transparent

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

As described in Note 2 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, 2020 and 2019, 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 for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village, 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 2.

Emphasis of Matter

As discussed in Note 12 to the 2020 and 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2021, 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

December 23, 2021

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VILLAGE OF RIDGEWAY, HARDIN COUNTY
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$5,119	\$21,195		\$26,314
Municipal Income Tax	28,171			28,171
Intergovernmental	12,233	61,886		74,119
Charges for Services		2,665		2,665
Fines, Licenses and Permits	2,323			2,323
Earnings on Investments	26	281		307
Miscellaneous	762	3,026		3,788
<i>Total Cash Receipts</i>	<u>48,634</u>	<u>89,053</u>		<u>137,687</u>
Cash Disbursements				
Current:				
Security of Persons and Property	12,742	39,068		51,810
Public Health Services	1,265	3,600		4,865
Basic Utility Services	362			362
Transportation		8,532		8,532
General Government	28,248	16,865		45,113
Capital Outlay		17,000	\$2,100	19,100
<i>Total Cash Disbursements</i>	<u>42,617</u>	<u>85,065</u>	<u>2,100</u>	<u>129,782</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,017</u>	<u>3,988</u>	<u>(2,100)</u>	<u>7,905</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets		1,926	5,000	6,926
Other Financing Sources	4,580			4,580
<i>Total Other Financing Receipts (Disbursements)</i>	<u>4,580</u>	<u>1,926</u>	<u>5,000</u>	<u>11,506</u>
<i>Net Change in Fund Cash Balances</i>	10,597	5,914	2,900	19,411
<i>Fund Cash Balances, January 1</i>	<u>22,015</u>	<u>181,068</u>	<u>10,000</u>	<u>213,083</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$32,612</u></u>	<u><u>\$186,982</u></u>	<u><u>\$12,900</u></u>	<u><u>\$232,494</u></u>

See accompanying notes to the basic financial statements

VILLAGE OF RIDGEWAY, HARDIN 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, 2020

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts			
Charges for Services	\$137,036		\$137,036
<i>Total Operating Cash Receipts</i>	<u>137,036</u>	<u>0</u>	<u>137,036</u>
Operating Cash Disbursements			
Personal Services	8,836		8,836
Employee Fringe Benefits	585		585
Contractual Services	24,085		24,085
Supplies and Materials	58,151		58,151
Other	150		150
<i>Total Operating Cash Disbursements</i>	<u>91,807</u>	<u>0</u>	<u>91,807</u>
<i>Operating Income</i>	<u>45,229</u>	<u>0</u>	<u>45,229</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(15,500)		(15,500)
Interest and Other Fiscal Charges	(36,892)		(36,892)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(52,392)</u>	<u>0</u>	<u>(52,392)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(7,163)</u>	<u>0</u>	<u>(7,163)</u>
<i>Fund Cash Balances, January 1</i>	<u>241,587</u>	<u>\$306</u>	<u>241,893</u>
<i>Fund Cash Balances, December 31</i>	<u>\$234,424</u>	<u>\$306</u>	<u>\$234,730</u>

See accompanying notes to the basic financial statements

Village of Ridgeway, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 - Reporting Entity

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

Jointly Governed Organizations

The Village participates in two jointly governed organizations. Note 11 to the financial statements provides additional information for these entities. The jointly governed organizations are:

- Hardin County Regional Planning Commission – The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the Village.
- Southeastern Hardin Ambulance District – This District provides emergency medical services to members within the District.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are all organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Village of Ridgeway, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

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 capital project fund:

Capital Projects Fund - The capital projects fund accounts for and reports proceeds from the sale of capital assets that meet the definition of a permanent improvement. The proceeds are restricted for capital outlay expenditures.

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 Enterprise Fund:

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds - Fiduciary funds include private purpose trust 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.

Bailey Trust Fund – The Village's private purpose trust fund receives income which is to be used for the perpetual upkeep and maintenance of the graves and burial lots of A.M. Bailey and family.

Basis of Accounting

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

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

Budgetary Process

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

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

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

Village of Ridgeway, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

A summary of 2020 budgetary activity appears in Note 3.

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.

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.

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:

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

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

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

Village of Ridgeway, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,482	\$53,214	(\$3,268)
Special Revenue	178,234	90,979	(87,255)
Capital Projects	0	5,000	5,000
Enterprise	143,300	137,036	(6,264)
Trust	5	0	(5)
Total	\$378,021	\$286,229	(\$91,792)

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,167	\$43,428	\$24,739
Special Revenue	228,105	85,065	143,040
Capital Projects	20,000	2,100	17,900
Enterprise	178,755	144,199	34,556
Trust	0	0	0
Total	\$495,027	\$274,792	\$220,235

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

Demand deposits	2020 \$435,070
Certificates of deposit	31,846
Other time deposits (savings account)	308
Total deposits	\$467,224

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Ridgeway, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 5 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Hardin and Logan counties are responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 0.5 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.

Note 6 – Interfund Balances

Advances

The outstanding advance at December 31, 2020 consisted of an outstanding advance from 2005 that has yet to be repaid and was made from the general fund to the sewer operating enterprise fund to purchase a computer, printer, billing software program, and preprinted statements, totaling \$1,490, to be used to prepare sewer fund billing statements.

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Village of Ridgeway, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2020.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

Note 10 – Debt

Debt outstanding at December 31, 2020, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Sanitary Sewer System Mortgage Revenue Bonds Series 2010	\$906,800	4.00%

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

Village of Ridgeway, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Amortization

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

Year Ending December 31:	USDA Mortgage Revenue
2021	\$52,472
2022	52,424
2023	52,452
2024	42,452
2025	52,424
2026-2030	262,152
2031-2035	262,268
2036-2040	262,180
2041-2045	262,116
2046-2050	262,244
Total	<u>\$1,563,184</u>

Note 11 – Jointly Governed Organizations

Hardin County Regional Planning Commission

Hardin County Regional Planning Commission (the Commission) is governed by a Board consisting of members from Hardin County, the municipalities and townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office. The Village is represented by one member.

The Commission assists in administering grants; provides member subdivisions with technical assistance with grants and grant writing; provides member subdivisions with assistance on zoning codes and the updating and revision of these codes; assists with the division of real estate lots; maintains flood insurance maps on file and oversees flood hazard construction regulations; and maintains the County’s census data on file. Each participating government may be required to contribute an assessment per capita according to the latest federal census in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

Southeastern Hardin Ambulance District

The constitution and laws of the State of Ohio establish the rights and privileges of the Southeastern Hardin Ambulance District, Hardin County (the District), as a body corporate and politic. The District is directed by an appointed four-member Board of Trustees. The Board of Trustees is appointed by the governing bodies of the Villages and Townships within Hardin County who receive ambulance services from the District. The District provides ambulance service for the Villages of Mount Victory and Ridgeway and the townships of Hale and Taylor Creek. Financial information can be obtained from the District at 212 South Wheeler Street, Mount Victory, Ohio 43340.

Village of Ridgeway, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding from Hardin County. Of the \$15,369.82 received, all \$15,369.82 was returned to the County.

Note 13 – Fund Balances

Included in fund balance are encumbrances for commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Outstanding Encumbrances	\$811			\$811
<i>Total</i>	<u>\$811</u>	<u>\$0</u>	<u>\$0</u>	<u>\$811</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects fund are restricted committed or assigned. These restricted, committed and assigned amounts in the special revenue and, capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

VILLAGE OF RIDGEWAY, HARDIN COUNTY
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$5,938	\$23,701		\$29,639
Municipal Income Tax	33,089			33,089
Intergovernmental	13,505	20,056		33,561
Charges for Services		3,440		3,440
Fines, Licenses and Permits	2,234			2,234
Earnings on Investments	25	18		43
Miscellaneous	499	2,433		2,932
<i>Total Cash Receipts</i>	<u>55,290</u>	<u>49,648</u>		<u>104,938</u>
Cash Disbursements				
Current:				
Security of Persons and Property	13,482	15,029		28,511
Public Health Services	1,323	4,036		5,359
Leisure Time Activities	41			41
Transportation		8,796		8,796
General Government	36,321	1,781		38,102
<i>Total Cash Disbursements</i>	<u>51,167</u>	<u>29,642</u>		<u>80,809</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,123</u>	<u>20,006</u>		<u>24,129</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	384			384
<i>Total Other Financing Receipts (Disbursements)</i>	<u>384</u>			<u>384</u>
<i>Net Change in Fund Cash Balances</i>	4,507	20,006		24,513
<i>Fund Cash Balances, January 1</i>	<u>17,508</u>	<u>161,062</u>	<u>\$10,000</u>	<u>188,570</u>
<i>Fund Cash Balances, December 31</i>				
<i>Restricted</i>		181,068	10,000	191,068
<i>Assigned</i>	12,496			12,496
Unassigned	9,519			9,519
<i>Fund Cash Balances, December 31</i>	<u>\$22,015</u>	<u>\$181,068</u>	<u>\$10,000</u>	<u>\$213,083</u>

See accompanying notes to the basic financial statements

VILLAGE OF RIDGEWAY, HARDIN 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, 2019

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$135,921		\$135,921
<i>Total Operating Cash Receipts</i>	<u>135,921</u>		<u>135,921</u>
Operating Cash Disbursements			
Personal Services	7,877		7,877
Employee Fringe Benefits	618		618
Contractual Services	26,094		26,094
Supplies and Materials	6,611		6,611
Other	89		89
<i>Total Operating Cash Disbursements</i>	<u>41,289</u>		<u>41,289</u>
<i>Operating Income</i>	<u>94,632</u>		<u>94,632</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(15,000)		(15,000)
Interest and Other Fiscal Charges	(37,492)		(37,492)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(52,492)</u>		<u>(52,492)</u>
<i>Net Change in Fund Cash Balances</i>	42,140		42,140
<i>Fund Cash Balances, January 1</i>	<u>199,447</u>	<u>\$306</u>	<u>199,753</u>
<i>Fund Cash Balances, December 31</i>	<u>\$241,587</u>	<u>\$306</u>	<u>\$241,893</u>

See accompanying notes to the basic financial statements

Village of Ridgeway, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

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

Jointly Governed Organizations

The Village participates in two jointly governed organizations. Note 11 to the financial statements provides additional information for these entities. The jointly governed organizations are:

- Hardin County Regional Planning Commission – The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the Village.
- Southeastern Hardin Ambulance District – This District provides emergency medical services to members within the District.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are all organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Village of Ridgeway, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

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 capital project fund:

Capital Projects Fund - The capital projects fund accounts for and reports proceeds from the sale of capital assets that meets the definition of a permanent improvement. The proceeds are restricted for capital outlay expenditures.

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 Enterprise Fund:

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds - Fiduciary funds include private purpose trust 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.

Bailey Trust Fund – The Village's private purpose trust fund receives income which is to be used for the perpetual upkeep and maintenance of the graves and burial lots of A.M. Bailey and family.

Basis of Accounting

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

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

Budgetary Process

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

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

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

Village of Ridgeway, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

A summary of 2019 budgetary activity appears in Note 3.

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.

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.

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:

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

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

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.

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

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Village of Ridgeway, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,808	\$55,674	\$1,866
Special Revenue	168,431	49,648	(118,783)
Capital Projects	0	0	0
Enterprise	140,800	135,921	(4,879)
Trust	5	0	(5)
Total	\$363,044	\$241,243	(\$121,801)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,415	\$51,978	\$16,437
Special Revenue	191,350	29,642	161,708
Capital Projects	0	0	0
Enterprise	146,805	93,781	53,024
Trust	0	0	0
Total	\$406,570	\$175,401	\$231,169

Village of Ridgeway, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2019
Demand deposits	\$422,918
Certificates of deposit	31,750
Other time deposits (savings account)	308
Total deposits	\$454,976

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Hardin and Logan counties are responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 0.5 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.

Village of Ridgeway, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – Interfund Balances

Advances

The outstanding advance at December 31, 2019 consisted of an outstanding advance from 2005 that has yet to be repaid and was made from the general fund to the sewer operating enterprise fund to purchase a computer, printer, billing software program, and preprinted statements, totaling \$1,490, to be used to prepare sewer fund billing statements.

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Village of Ridgeway, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – Debt

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
USDA Sanitary Sewer System Mortgage Revenue Bonds Series 2010	\$922,300	4.00%

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

Amortization

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

Year Ending	USDA
<u>December 31:</u>	<u>Mortgage</u>
	<u>Revenue Bonds</u>
2020	\$52,392
2021	52,472
2022	52,424
2023	52,452
2024	42,452
2025-2029	262,148
2030-2034	262,256
2035-2039	262,144
2040-2044	262,196
2045-2049	262,224
2050	52,416
Total	\$1,615,576

Village of Ridgeway, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 11 – Jointly Governed Organizations

Hardin County Regional Planning Commission

Hardin County Regional Planning Commission (the Commission) is governed by a Board consisting of members from Hardin County, the municipalities and townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office. The Village is represented by one member.

The Commission assists in administering grants; provides member subdivisions with technical assistance with grants and grant writing; provides member subdivisions with assistance on zoning codes and the updating and revision of these codes; assists with the division of real estate lots; maintains flood insurance maps on file and oversees flood hazard construction regulations; and maintains the County's census data on file. Each participating government may be required to contribute an assessment per capita according to the latest federal census in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

Southeastern Hardin Ambulance District

The constitution and laws of the State of Ohio establish the rights and privileges of the Southeastern Hardin Ambulance District, Hardin County (the District), as a body corporate and politic. The District is directed by an appointed four-member Board of Trustees. The Board of Trustees is appointed by the governing bodies of the Villages and Townships within Hardin County who receive ambulance services from the District. The District provides ambulance service for the Villages of Mount Victory and Ridgeway and the townships of Hale and Taylor Creek. Financial information can be obtained from the District at 212 South Wheeler Street, Mount Victory, Ohio 43340.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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

To the Members of 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 for each governmental and proprietary fund type and the fiduciary fund type total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Ridgeway, Hardin County, (the Village) and have issued our report thereon dated December 23, 2021, 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. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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 2020-001 through 2020-003 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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-003.

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

December 23, 2021

**VILLAGE OF RIDGEWAY
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2020-001

Material Weakness - Accuracy of Financial Reporting

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.

The following errors were identified in December 31, 2020 financial statements:

- The purchase of a dump truck in the amount of \$17,000 was recorded in the Street Fund as transportation disbursements instead of capital outlay;
- Fire Apparatus Fund homestead and rollback receipts in the amount of \$874 were improperly recorded in the General Fund (\$134), Street Construction Maintenance & Repair Fund (\$685) and State Highway Fund (\$55) as property and other taxes;
- Fire Apparatus Fund homestead and rollback receipts in the amount of \$109 were recorded as property and other taxes instead of intergovernmental receipts;
- General Fund homestead and rollback receipts in the amount of \$886 were recorded as property and other taxes instead of intergovernmental receipts;
- General Fund, county auditor/treasurer fees and audit fees in the amount of \$234 were recorded as debt service interest and fiscal charges instead of general government disbursements;
- Some income tax receipts were not recorded at gross, resulting in an understatement of income tax receipts and general government disbursements of \$3,260 in the General Fund;
- A Capital Projects Fund receipt from the sale of a truck for \$5,000 was recorded as miscellaneous revenue instead of other financing sources – sale of capital assets; and
- The Village's 2020 annual financial report filed on the Hinkle System omitted the Fiduciary Fund Statement which resulted in the Private Purpose Trust Fund, with a beginning and ending balance of \$306, being omitted from the annual financial report.

The following errors were identified in December 31, 2019 financial statements:

- General Fund, county auditor/treasurer, income tax collection fees and audit fees in the amount of \$9,141 were recorded as debt service interest and fiscal charges instead of general government disbursements;
- Fire Apparatus Fund homestead and rollback receipts in the amount of \$345 were improperly recorded in the General Fund as property and other taxes;
- Fire Apparatus Fund homestead and rollback receipts in the amount of \$798 were recorded as property and other taxes instead of intergovernmental receipts;
- General Fund homestead and rollback receipts in the amount of \$890 were recorded as property and other taxes instead of intergovernmental receipts;
- Some income tax receipts were not recorded at gross, resulting in an understatement of income tax receipts and general government disbursements of \$3,457 in the General Fund;

FINDING NUMBER 2020-001
(Continued)

- Debt principal in the amount of \$1,000 was classified as supplies and materials in the Sewer Fund;
- At December 31, 2019, subsequent year appropriations in the General Fund that exceeded estimated receipts by \$11,685 were classified as unassigned fund balance instead of assigned fund balance. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 16 (GASB Codification 1800.176) – *Fund Balance Reporting and Governmental Fund Type Definitions*, states an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance; and
- General Fund encumbrances in the amount of \$811 at December 31, 2019 was classified as unassigned fund balance instead of assigned fund balance. GASB Statement 54, paragraph 24 (GASB Codification 1800.184), states encumbered amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned should not be classified as unassigned but, rather, should be included within committed or assigned fund balance.

The 2020 and 2019 notes to the financial statements also had errors such as, but not limited to, the disclosures for budgetary, deposits, and the debt amortization tables.

The lack of transaction and monitoring controls over the recording of financial activity and preparing the annual financial statements may have contributed to the errors identified above. The accompanying financial statements and underlying accounting records have been adjusted to correct these errors.

Other recording errors that were not material to the financial statements were identified but not adjusted in the accompanying financial statements. These errors ranged in amounts from \$129, for a homestead and rollback receipt belonging to the Fire Apparatus Fund that was recorded in the General Fund in a prior year, to other errors in the amount of \$274.

The failure to correctly classify financial activity in the accounting records and financial statements may impact a user's understanding of the financial operations, the ability to make sound financial decisions, the ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner by the Council. Inaccurate note disclosures pose the risk of misleading the readers of the annual financial report.

To help ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should establish and implement procedures to identify and correct errors and omissions. Resources such as the Ohio Village Handbook, the Uniform Accounting Network (UAN) Manual, and the village financial statement and note shells on the Auditor of State web-site can be utilized when recording transactions and preparing the annual financial statements. Additionally, Council or a sub-committee such as an audit or finance committee should perform periodic reviews of the receipt and disbursement ledgers to help identify errors and/or irregularities. Prior to filing with the Auditor of State, a secondary review of the financial statements and notes to the financial statements should be performed to verify that all amounts are accurate and agree to supporting documentation.

FINDING NUMBER 2020-002

Material Weakness – Bank to Book Reconciliation Errors

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.

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) 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 reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council is responsible for reviewing the reconciliations and related support.

The Fiscal Officer performed monthly reconciliations during 2020 and 2019 using the Uniform Accounting System (UAN) and the reconciliations were presented to Council for review. However, the amounts reported as bank balances at December 31, 2020 and 2019 on the reconciliations were less than the actual bank balances due to the omission of certificates of deposit and a savings account. At December 31, 2020, certificates of deposit in the amount of \$31,846 and a savings account in the amount of \$308, or a total of \$32,154, were omitted from the reconciliation. At December 31, 2019, certificates of deposit in the amount of \$31,750 and a savings account in the amount of \$308, or a total of \$32,058, were omitted from the reconciliation.

In addition, the reconciliation for the year ended December 31, 2020 included an other adjusting factor in the amount of \$2,514.91 to reduce the system balance to agree to the bank balance. The Fiscal Officer believes this reconciling item is the result of errors in the posting of prior audit adjustments whereas the reconciliation description was "payments not in UAN".

Following the previous audit, adjustments were posted by the Village to increase the fund balances in UAN by the amount of these unrecorded bank balances. However, when the audit adjustments were posted, the Village did not add the certificates of deposit and savings account balance to the UAN bank balances. As a result, after posting prior audit adjustments, the Village was unable to reconcile the UAN Fund balances to the UAN bank balances.

As a result of the balances of the certificates of deposit and the savings account not being included in the UAN fund balances, the January 1, 2019 beginning balances on the financial statements and in UAN did not agree to the audited balances as of December 31, 2018. The following adjustments were necessary to agree the January 1, 2019 beginning balances to the December 31, 2018 ending balances:

- Decrease General Fund Balance \$2,343
- Increase Special Revenue Funds \$20,973 (increase Street Construction Maintenance & Repair \$29,833, increase State Highway \$140 and decrease Fire Apparatus \$9,000)
- Increase Capital Projects Fund \$10,000
- Increase Enterprise Funds \$2,931 (decrease Sewer Operating \$15,075 and increase Sewer Debt Reserve \$18,006)
- Decrease Private Purpose Trust \$2

FINDING NUMBER 2020-002
(Continued)

An additional audit adjustment was necessary to increase the General Fund balance by \$102 and \$499 at December 31, 2020 and 2019 respectively in order to agree the Village's UAN balance to the adjusted bank balance.

A lack of controls over the bank to book reconciliation process most likely contributed to the issues noted above. The accompanying financial statements and the accounting records were adjusted to correct the errors identified above. With these adjustments the Village reconciles at December 31, 2020.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. 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. The failure to reconcile can result in errors and omissions going undetected in a timely manner and could also result being declared un-auditable in future audits.

FINDING NUMBER 2020-003

Material Weakness and Noncompliance

United States Department of Agriculture Sanitary Sewer System Mortgage Revenue Bond Series 2010, Section 6B(2) requires the establishment of a Sanitary Sewer System Mortgage Revenue Bond and Sinking Fund (the Sinking Fund), and, commencing with the first day of the calendar month following the initial delivery of the Series 2010 Bonds, there shall be transferred monthly from the Revenue Fund and deposited into the Sinking Fund, a sum equal to at least 1/12 (or such larger amount as is necessary) of interest due on the next ensuing interest payment date with respect to all bonds outstanding plus the amount necessary to provide for payment of the next ensuing principal maturity of all bonds outstanding. **Section 6B(3)** requires the establishment of a Reserve Fund commencing with the first day of the calendar month following the initial delivery of the bonds, an amount equal to \$437.83 per month is to be placed in the Reserve Fund until there is accumulated in such fund the sum of \$52,540 (the minimum reserve). **Section 6B(4)** requires the establishment of a Surplus Fund, that monthly, commencing with the first day of the calendar month following the initial delivery of the Bonds, any money remaining in the Revenue Fund after reserving therein an adequate amount as working capital for the System, shall be transferred to the Surplus Fund.

The Village established all three of these funds. However, due to deficiencies in internal policies and control procedures, the Sinking Fund was not utilized during 2020 and 2019; instead all principal and interest payments were paid from the Sewer Operating Fund. The Reserve Fund had been established with a balance that exceeded the minimum required balance. The Surplus Fund did not have a balance.

The failure to transfer the minimum required amount each month to the Sinking Fund could result in the Village not having adequate resources to make debt service payments. The failure to fund the Surplus Fund could result in the inability to make debt service payments in the event the Sinking Fund or Reserve Fund does not have adequate balances. Also, the Village may not have adequate funding to make extensions or improvements to the system or for other obligations of the System.

The Village should establish and implement procedures to verify that money is properly allocated to the Sinking and Surplus Funds as required by the Bond agreement.

We will refer this matter to the United States Department of Agriculture.

OFFICIALS' RESPONSE:

We did not receive a response from Officials to the findings reported above.

VILLAGE OF RIDGEWAY
103 South Main Street
P.O. Box 23
Ridgeway, Ohio 43345

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2020 AND 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Finding was first issued in 2017-2018. Noncompliance for expenditures in excess of appropriations in the Fire Apparatus Fund.	Fully Corrected	
2018-002	Finding was first issued in the 2011-2012 audit. Material weakness due to bank balances in the system not including the balances of the Village's certificate of deposit and unsupported other adjusting factors.	Not Corrected – Repeated as Finding 2020-002	Certificate and savings account balances have been added to UAN which should prevent bank reconciliation differences in future years.
2018-003	Finding was first issued in the 2011-2012 audit. Noncompliance and Significant Deficiency due to the Village failing to transfer the minimum required amount to the sinking fund and failing to establish the required surplus fund.	Not Corrected – Repeated as Finding 2020-003	Principal and Interest payments continued to be paid from Sewer Operating Fund.
2018-004	Finding was first reported in 2017-2018. Material Weakness and Noncompliance for transferring monies from the Debt Service Reserve Fund to the Sewer Operating Fund.	Fully Corrected	

VILLAGE OF RIDGEWAY

103 South Main Street

P.O. Box 23

Ridgeway, Ohio 43345

2018-005	Finding was first issued in the 2005-2006 audit. Material Weakness due to errors over financial reporting.	Not Corrected – Repeated as Finding 2020-001	Errors were identified in the 2019 and 2020 financial statements; see Finding 2020-001
2018-006	Finding was first issued in 2005-2006 audit. Significant deficiency due to outstanding advance not being repaid.	Not Corrected – Repeated in the Management Letter	Advance is still outstanding
2018-007	Finding was first issued in 2017-2018. Material Weakness and Noncompliance for recording sale of capital assets in the wrong fund.	Fully Corrected	

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF RIDGEWAY

HARDIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/10/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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