



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF KIPTON
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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Kipton
Lorain County
P.O. Box 177, Court Street
Kipton, Ohio 44049

To the Members of Village Council:

We have audited the accompanying financial statements of the Village of Kipton, Lorain County, (Village) as of and for the years ended December 31, 1999 and December 31, 1998. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits 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 audits provide 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 of the Village of Kipton, Lorain County, as of December 31, 1999 and December 31, 1998, 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 May 5, 2000 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.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under §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, appearing to read "Jim Petro".

Jim Petro
Auditor of State

May 5, 2000

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VILLAGE OF KIPTON
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund
Cash Balances - All Governmental Fund Types -
For The Year Ended December 31, 1999

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Capital Projects	Total
Receipts:				
Local Taxes	\$13,417	\$5,909	\$0	\$19,326
Intergovernmental	38,905	8,108	22,744	69,757
Charges for Services	7,057	0	0	7,057
Fines, Licenses, and Permits	10,988	0	0	10,988
Interest	223	0	0	223
Miscellaneous	78	0	0	78
Total Receipts	70,668	14,017	22,744	107,429
Disbursements:				
Current:				
Security of Persons and Property	4,370	4,448	0	8,818
Leisure Time Activities	2,187	0	0	2,187
Basic Utility Service	13,291	0	0	13,291
Transportation	0	26,183	0	26,183
General Government	15,933	103	0	16,036
Capital Outlay	38,347	0	22,744	61,091
Total Disbursements	74,128	30,734	22,744	127,606
Total receipts over/(under) disbursements	(3,460)	(16,717)	0	(20,177)
Other financing receipts/(disbursements):				
Proceeds from Sale of Public Debt				
Sale of Bonds	23,300	0	0	23,300
Transfers-In	0	11,725	0	11,725
Transfers-Out	(11,725)	0	0	(11,725)
Total other financing receipts/(disbursements)	11,575	11,725	0	23,300
Excess of receipts and other financing receipts over/ (under) disbursements and other financing disbursements	8,115	(4,992)	0	3,123
Fund Balances January 1, 1999	31,510	6,567	0	38,077
Fund Balances, December 31, 1999	<u>\$39,625</u>	<u>\$1,575</u>	<u>\$0</u>	<u>\$41,200</u>

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

VILLAGE OF KIPTON
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund
Cash Balances - All Governmental Fund Types -
For The Year Ended December 31, 1998

	Governmental Fund Types		(Memorandum Only)
	General	Special Revenue	Total
Receipts:			
Local Taxes	\$13,487	\$6,078	\$19,565
Intergovernmental	22,149	7,831	29,980
Charges for Services	7,165	0	7,165
Fines, Licenses, and Permits	19,115	0	19,115
Interest	498	0	498
Miscellaneous	1,634	0	1,634
Total Receipts	64,048	13,909	77,957
Disbursements:			
Current:			
Security of Persons and Property	4,738	3,922	8,660
Leisure Time Activities	21,546	0	21,546
Basic Utility Service	13,291	0	13,291
Transportation	0	14,725	14,725
General Government	23,615	94	23,709
Total Disbursements	63,190	18,741	81,931
Total receipts over/(under) disbursements	858	(4,832)	(3,974)
Fund Balances January 1, 1998	30,652	11,399	42,051
Fund Balances, December 31, 1998	<u>\$31,510</u>	<u>\$6,567</u>	<u>\$38,077</u>

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

**VILLAGE OF KIPTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Village of Kipton, Lorain County, (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 and Mayor. The Village provides general governmental services, including park operations (recreation), street maintenance, and police services.

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 Ohio Auditor of State, which is similar to the cash receipts and disbursement 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 Ohio Auditor of State.

C. Cash and Investments

Certificates of deposit 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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

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 Fund:

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

Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant Capital Project Fund:

Capital Improvement Fund - This fund is used to account for proceeds of State Issue II grants. The proceeds are being used for various street improvement projects.

**VILLAGE OF KIPTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

Estimated Resources

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

Appropriations

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

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. There were no outstanding encumbrances for these fiscal years.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

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. Pooled Cash and Cash Equivalents

The Village maintains a cash and cash equivalents pool used by all funds. The carrying amount of cash and cash equivalents at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$41,200	\$25,533
Certificates of deposit	<u>0</u>	<u>12,544</u>
Total deposits	<u>\$41,200</u>	<u>\$38,077</u>

Deposits:

Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF KIPTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

(Continued)

3. Budgetary Activity

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 was as follows:

<u>1999 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$83,870	\$93,968	\$10,098
Special Revenue	26,448	25,742	(706)
Capital Projects	<u>22,744</u>	<u>22,744</u>	<u>0</u>
Total	<u>\$133,062</u>	<u>\$142,454</u>	<u>\$9,392</u>

<u>1999 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$116,083	\$85,853	\$30,230
Special Revenue	32,313	30,734	1,579
Capital Projects	<u>22,744</u>	<u>22,744</u>	<u>0</u>
Total	<u>\$171,140</u>	<u>\$139,331</u>	<u>\$31,809</u>

<u>1998 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$69,607	\$64,048	\$(5,559)
Special Revenue	<u>21,322</u>	<u>13,909</u>	<u>(7,413)</u>
Total	<u>\$90,929</u>	<u>\$77,957</u>	<u>\$(12,972)</u>

<u>1998 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$103,200	\$63,190	\$40,010
Special Revenue	<u>29,639</u>	<u>18,741</u>	<u>10,898</u>
Total	<u>\$132,839</u>	<u>\$81,931</u>	<u>\$50,908</u>

**VILLAGE OF KIPTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

(Continued)

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 payment, 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 to the property owners, who must file a list of such property with the Lorain County Auditor by each April 30.

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

5. Debt

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rates</u>
General Obligation Bonds	\$23,300	5.76%

The General Obligation Bonds are real estate acquisition bonds for the purchase of the Village Hall. Amortization of the above debt, including interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$1,057	\$1,261	\$2,318
2001	1,065	1,254	2,319
2002	1,128	1,191	2,319
2003	1,194	1,124	2,318
2004	1,265	1,054	2,319
2005 - 2009	7,540	4,052	11,592
2010 - 2014	<u>10,051</u>	<u>1,561</u>	<u>11,612</u>
Total	<u>\$23,300</u>	<u>\$11,497</u>	<u>\$34,797</u>

6. Retirement Systems

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

The members of Village Council and the Clerk-Treasurer contribute to the Federal Income Contributions Act (Social Security).

**VILLAGE OF KIPTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

(Continued)

6. Retirement Systems (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. Employees contributing to Social Security contribute 6.2% of their gross salaries with the Village contributing an equal share. The Village has paid all contributions required through December 31, 1999.

7. Risk Management

The Village has obtained commercial insurance for the following risks:

- Comprehensive property, general liability and law enforcement
- Wrongful acts
- Vehicle

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JIM PETRO, AUDITOR OF STATE

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

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

Village of Kipton
Lorain County
P.O. Box 177, Court Street
Kipton, Ohio 44049

To the Members of Village Council:

We have audited the financial statements of the Village of Kipton, Lorain County, (Village) as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated May 5, 2000. We conducted our audits in accordance with generally accepted auditing standards 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 5, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 May 5, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 5, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF KIPTON

LORAIN 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 20, 2000**