



Mary Taylor, CPA
Auditor of State

VILLAGE OF HOPEDALE
HARRISON COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Hopedale
Harrison County
P.O. Box 476
Hopedale, Ohio 43976-0476

To the Members of Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

August 14, 2008

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Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Hopedale
Harrison County
P.O. Box 476
Hopedale, Ohio 43976-0476

To the Members of Village Council:

We have audited the accompanying financial statements of Village of Hopedale, Harrison County, (the Village) as of and for the years ended December 31, 2007 and 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows for the years then ended.

Also, 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 Village of Hopedale, Harrison County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

August 14, 2008

VILLAGE OF HOPEDALE
HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|-----------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash Receipts: | | | | | |
| Property and Local Taxes | \$82,330 | \$8,739 | | | \$91,069 |
| Municipal Income Tax | 112,163 | | | | 112,163 |
| Intergovernmental | 33,129 | 38,761 | | | 71,890 |
| Fines, Licenses and Permits | 1,880 | | | | 1,880 |
| Earnings on Investments | 19,673 | 2,938 | | | 22,611 |
| Miscellaneous | 10,778 | | | | 10,778 |
| Total Cash Receipts | 259,953 | 50,438 | | | 310,391 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 48,743 | | | | 48,743 |
| Public Health Services | 890 | | | | 890 |
| Leisure Time Activities | 29,053 | | | | 29,053 |
| Basic Utility Service | 4,478 | | | | 4,478 |
| Transportation | 80,761 | 40,367 | | | 121,128 |
| General Government | 116,217 | | | | 116,217 |
| Debt Service: | | | | | |
| Redemption of Principal | 14,532 | | | | 14,532 |
| Interest and Fiscal Charges | 3,022 | | | | 3,022 |
| Capital Outlay | | | | \$1 | 1 |
| Total Cash Disbursements | 297,696 | 40,367 | | 1 | 338,064 |
| Total Receipts Over/(Under) Disbursements | (37,743) | 10,071 | | (1) | (27,673) |
| Other Financing Receipts / (Disbursements): | | | | | |
| Transfers-In | 313 | | | | 313 |
| Transfers-Out | (5,000) | | (28,604) | (30) | (33,634) |
| Refund of Prior Year Expenses | 636 | 82 | | | 718 |
| Total Other Financing Receipts / (Disbursements) | (4,051) | 82 | (28,604) | (30) | (32,603) |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (41,794) | 10,153 | (28,604) | (31) | (60,276) |
| Fund Cash Balances, January 1 | 186,769 | 66,274 | \$28,604 | 31 | 281,678 |
| Fund Cash Balances, December 31 | \$144,975 | \$76,427 | | | \$221,402 |

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

VILLAGE OF HOPEDALE
HARRISON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

| | Proprietary Fund Types | Fiduciary Fund Types | Totals (Memorandum Only) |
|--|---------------------------|-------------------------|--------------------------------|
| | Enterprise | Agency | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$311,888 | | \$311,888 |
| Miscellaneous | 5,977 | | 5,977 |
| Total Operating Cash Receipts | <u>317,865</u> | | <u>317,865</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 86,251 | | 86,251 |
| Employee Fringe Benefits | 52,019 | | 52,019 |
| Contractual Services | 91,660 | | 91,660 |
| Supplies and Materials | 58,474 | | 58,474 |
| Other | 1,535 | | 1,535 |
| Total Operating Cash Disbursements | <u>289,939</u> | | <u>289,939</u> |
| Operating Income/(Loss) | <u>27,926</u> | | <u>27,926</u> |
| Non-Operating Cash Receipts: | | | |
| Intergovernmental | 334 | | 334 |
| Special Assessments | 16,186 | | 16,186 |
| Other Non-Operating Cash Receipts | 809 | | 809 |
| Total Non-Operating Cash Receipts | <u>17,329</u> | | <u>17,329</u> |
| Non-Operating Cash Disbursements: | | | |
| Redemption of Principal | 23,801 | | 23,801 |
| Interest and Other Fiscal Charges | 21,878 | | 21,878 |
| Total Non-Operating Cash Disbursements | <u>45,679</u> | | <u>45,679</u> |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | (424) | | (424) |
| Transfers-In | 59,363 | | 59,363 |
| Transfers-Out | (25,782) | (260) | (26,042) |
| Net Receipts Over/(Under) Disbursements | 33,157 | (260) | 32,897 |
| Fund Cash Balances, January 1 | <u>128,235</u> | <u>\$480</u> | <u>128,715</u> |
| Fund Cash Balances, December 31 | <u>\$161,392</u> | <u>\$220</u> | <u>\$161,612</u> |

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

VILLAGE OF HOPEDALE
HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|--|-------------------------|------------------------|------------------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash Receipts: | | | | | |
| Property and Local Taxes | \$53,669 | \$3,233 | | | \$56,902 |
| Municipal Income Tax | 102,872 | | | | 102,872 |
| Intergovernmental | 33,106 | 42,242 | | | 75,348 |
| Fines, Licenses and Permits | 2,666 | | | | 2,666 |
| Earnings on Investments | 16,972 | 1,508 | | | 18,480 |
| Miscellaneous | 18,414 | | | | 18,414 |
| Total Cash Receipts | <u>227,699</u> | <u>46,983</u> | | | <u>274,682</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 32,621 | | | | 32,621 |
| Public Health Services | 890 | | | | 890 |
| Leisure Time Activities | 11,519 | | | | 11,519 |
| Basic Utility Service | 4,332 | | | | 4,332 |
| Transportation | 53,537 | 36,221 | | | 89,758 |
| General Government | 96,271 | | | | 96,271 |
| Debt Service: | | | | | |
| Redemption of Principal | 4,574 | | | | 4,574 |
| Interest and Fiscal Charges | 601 | | | | 601 |
| Capital Outlay | 69,489 | | | \$65,089 | 134,578 |
| Total Cash Disbursements | <u>273,834</u> | <u>36,221</u> | | <u>65,089</u> | <u>375,144</u> |
| Total Receipts Over/(Under) Disbursements | <u>(46,135)</u> | <u>10,762</u> | | <u>(65,089)</u> | <u>(100,462)</u> |
| Other Financing Receipts / (Disbursements): | | | | | |
| Proceeds from Sale of Public Debt: | | | | | |
| Sale of Bonds | 53,888 | | | | 53,888 |
| Sale of Notes | | | | 65,089 | 65,089 |
| Other Debt Proceeds | | | | | 0 |
| Sale of Fixed Assets | 15,601 | | | | 15,601 |
| Other Financing Uses | (31) | | | | (31) |
| Total Other Financing Receipts / (Disbursements) | <u>69,458</u> | | | <u>65,089</u> | <u>134,547</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/ (Under) Cash Disbursements and Other Financing Disbursements | 23,323 | 10,762 | | | 34,085 |
| Fund Cash Balances, January 1 | 163,446 | 55,512 | \$28,604 | 31 | 247,593 |
| Fund Cash Balances, December 31 | <u>\$186,769</u> | <u>\$66,274</u> | <u>\$28,604</u> | <u>\$31</u> | <u>\$281,678</u> |
| Reserve for Encumbrances, December 31 | <u>\$889</u> | | | | <u>\$889</u> |

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

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | Proprietary Fund Types | Fiduciary Fund Types | Totals (Memorandum Only) |
|--|---------------------------|-------------------------|--------------------------------|
| | Enterprise | Agency | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$294,725 | | \$294,725 |
| Miscellaneous | 1,874 | \$1 | 1,875 |
| Total Operating Cash Receipts | 296,599 | 1 | 296,600 |
| Operating Cash Disbursements: | | | |
| Personal Services | 78,169 | | 78,169 |
| Employee Fringe Benefits | 43,825 | | 43,825 |
| Contractual Services | 94,614 | | 94,614 |
| Supplies and Materials | 53,304 | | 53,304 |
| Other | 1,300 | | 1,300 |
| Total Operating Cash Disbursements | 271,212 | | 271,212 |
| Operating Income/(Loss) | 25,387 | 1 | 25,388 |
| Non-Operating Cash Receipts: | | | |
| Intergovernmental | 2,362 | | 2,362 |
| Special Assessments | 16,999 | | 16,999 |
| Total Non-Operating Cash Receipts | 19,361 | | 19,361 |
| Non-Operating Cash Disbursements: | | | |
| Capital Outlay | 18,001 | | 18,001 |
| Redemption of Principal | 21,568 | | 21,568 |
| Interest and Other Fiscal Charges | 12,343 | | 12,343 |
| Total Non-Operating Cash Disbursements | 51,912 | | 51,912 |
| Net Receipts Over/(Under) Disbursements | (7,164) | 1 | (7,163) |
| Fund Cash Balances, January 1 | 135,399 | 479 | 135,878 |
| Fund Cash Balances, December 31 | \$128,235 | \$480 | \$128,715 |
| Reserve for Encumbrances, December 31 | \$173 | \$0 | \$173 |

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

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Hopedale, Harrison County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police, and general government services.

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

B. Accounting Basis

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

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

C. Cash 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.

Repurchase agreements are recorded 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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 receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

Ohio Water Development Authority Debt Service Fund – This fund received intergovernmental receipts to replace waterlines within the Village.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Community Development Block Grant Water Storage Tank Fund – This fund received proceeds of intergovernmental grants. The proceeds were used to construct a new water storage tank.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

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

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

6. Fiduciary Funds

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for monies received for the United States' Tri-Centennial Celebration.

E. Budgetary Process

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

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. Appropriations

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | <u>2007</u> | <u>2006</u> |
|--------------------------------|------------------|------------------|
| Demand deposits | (\$33,179) | (\$36,050) |
| Repurchase agreement | 416,193 | 446,443 |
| Total deposits and investments | <u>\$383,014</u> | <u>\$410,393</u> |

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

Investments: The Village's financial institution sweeps the Village's deposits into repurchase agreements on a daily basis. The entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Village.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|--------------------|
| General | \$239,109 | \$260,902 | \$21,793 |
| Special Revenue | 169,550 | 50,520 | (119,030) |
| Debt Service | | | |
| Capital Projects | | | |
| Enterprise | 433,400 | 394,557 | (38,843) |
| Total | <u>\$842,059</u> | <u>\$705,979</u> | <u>(\$136,080)</u> |

2007 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|------------------|
| General | \$425,186 | \$302,696 | \$122,490 |
| Special Revenue | 236,111 | 40,367 | 195,744 |
| Debt Service | 9,018 | 28,604 | (19,586) |
| Capital Projects | 31 | 31 | |
| Enterprise | 581,272 | 361,400 | 219,872 |
| Total | <u>\$1,251,618</u> | <u>\$733,098</u> | <u>\$518,520</u> |

2006 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|------------------|
| General | \$155,844 | \$297,188 | \$141,344 |
| Special Revenue | 41,900 | 46,983 | 5,083 |
| Debt Service | | | |
| Capital Projects | 65,489 | 65,089 | (400) |
| Enterprise | 267,000 | 315,960 | 48,960 |
| Total | <u>\$530,233</u> | <u>\$725,220</u> | <u>\$194,987</u> |

2006 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|------------------|
| General | \$318,579 | \$274,754 | \$43,825 |
| Special Revenue | 97,700 | 36,221 | 61,479 |
| Debt Service | 9,019 | | 9,019 |
| Capital Projects | 65,519 | 65,089 | 430 |
| Enterprise | 422,209 | 323,297 | 98,912 |
| Total | <u>\$913,026</u> | <u>\$699,361</u> | <u>\$213,665</u> |

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006 AND 2007
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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 1% 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.

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|------------------|----------------------|
| Ohio Water Development Authority Loan # 2754 | \$66,204 | 2% |
| Ohio Water Development Authority Loan # 4250 | 79,500 | 5% |
| Sewer System Mortgage Revenue Bonds | 202,800 | 4.875% |
| Truck Bond, Series 2004 | 9,155 | 3.62% |
| Equipment Bond, Series 2006 | 44,096 | 4.74% |
| Total | <u>\$401,755</u> | |

The Ohio Water Development Authority (OWDA) loan # 2754 relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. In 1987, OWDA disbursed \$376,352 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$9,894, including interest, over 25 years. The loans are collateralized by sewer receipts and a special tax assessment. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006 AND 2007
(Continued)**

6. DEBT - (Continued)

The Ohio Water Development Authority (OWDA) loan # 4250 relates to a waterline design project in the amount of \$79,500 at 5% interest. The loan will be repaid in a balloon payment at the completion of the project. No amortization schedule was presented for this loan since the project was not complete as of December 31, 2007. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Sanitary Sewer System Mortgage Revenue Bonds were issued to the Village through USDA Rural Development to pay for the sanitary sewer extension project. In 2002, the bonds were issued in the amount of \$225,000 at an interest rate of 4.875%. The debt will be repaid in annual installments over 40 years. The loan is collateralized by sewer revenues.

The Truck Bond, Series 2004 was issued to purchase a truck for the Village's Street Department. The original bond was issued November 10, 2004 in the amount of \$23,602 at a 3.62% interest rate. The bond will be repaid in monthly payments over 5 years. The bond is collateralized by the truck.

The Equipment Bond, Series 2006 was issued to purchase a backhoe for the Village. The original bond was issued May 30, 2006 in the amount of \$53,888 at a 4.74% interest rate. The bond will be repaid in annual payments over 5 years. The bond is collateralized by the backhoe.

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

| Year ending December 31: | OWDA Loan # | Sewer Mortgage Revenue Bonds | Truck Bond | Equipment Bond |
|--------------------------|----------------|---------------------------------------|------------------|-------------------|
| 2008 | 2754 | \$19,787 | \$12,928 | \$4,631 |
| 2009 | | 19,787 | 13,087 | 6,076 |
| 2010 | | 19,787 | 12,930 | 12,359 |
| 2011 | | 9,894 | 13,075 | 12,366 |
| 2012 | | | 13,004 | 12,373 |
| 2013 – 2017 | | | 64,921 | |
| 2018 – 2022 | | | 65,039 | |
| 2023 – 2027 | | | 65,041 | |
| 2028 – 2032 | | | 65,057 | |
| 2033 – 2037 | | | 64,949 | |
| 2038 | | | 13,004 | |
| Total | | <u>\$69,255</u> | <u>\$403,035</u> | <u>\$10,707</u> |
| | | | <u>\$49,444</u> | |

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

VILLAGE OF HOPEDALE
HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006 AND 2007
(Continued)

8. 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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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Hopedale
Harrison County
P.O. Box 476
Hopedale, Ohio 43976-0476

To the Village Council:

We have audited the financial statements of the Village of Hopedale, Harrison County (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 14, 2008 wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting 2007 -002.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding number 2007-002 is also material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 14, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We did note certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 14, 2008.

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

We intend this report solely for the information and use of management, and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 14, 2008

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) provides that no subdivision shall make any contract of give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

- 1. Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

- 2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- 3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village did not properly certify the amount against the applicable appropriation accounts for 32% and 12% of tested expenditures in 2007 and 2006, respectively. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Clerk/Treasurer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response

In regards to the citation on certifications of purchase orders, this Village will be reviewing the present practice of processing purchase orders and will be implementing controls for timely dating and certification.

FINDING NUMBER 2007-002

Significant Deficiency/Material Weakness

Proper Classification of Receipts and Disbursements

The Village did not correctly code and classify the following receipts and disbursements in 2006 and 2007 which resulted in reclassifications to the financial statements. The Village Clerk/Treasurer has agreed to the reclassifications and the adjustment to correct the transfer that had been posted twice and these corrected amounts are reflected in the accompanying financial statements. The adjustment has been posted to the ledgers.

2007:

| Fund Type | Account Type | Amount | Reason |
|------------|--------------------|----------|--|
| Enterprise | Transfers In/Out | \$48,203 | To correct a transfer between two enterprise funds (Sewer Revenue Fund and the Enterprise Debt Service Fund) that had been recorded twice. |
| Enterprise | Special Assessment | \$6,685 | Recorded as Miscellaneous Revenue |

2006:

| Fund Type | Account Type | Amount | Reason |
|-----------------|---------------------------|-----------|-------------------------------------|
| General | Intergovernmental Revenue | \$5,807 | Recorded as Other Revenue |
| General | Sale of Bonds | \$53,888 | Recorded as Other Financing Sources |
| General Fund | Municipal Income Tax | \$102,872 | Recorded as Local Taxes |
| Special Revenue | Intergovernmental Revenue | \$4,631 | Recorded as Local Taxes |
| Enterprise | Miscellaneous Revenue | \$16,999 | Recorded as Special Assessment |

Failure to consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Village Clerk/Treasurer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure that financial activity of the Village is accurately recorded and reported. In addition, the Village should adopt procedures for the review of posting of transactions and subsequent posting to the financial statements.

Officials Response:

Procedures will be implemented so that receipts and disbursements will be posted properly.

VILLAGE OF HOPEDALE
HARRISON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2005-001 | Ohio Revised Code Section 5705.41 (D) Disbursements were not properly certified. | No | Cited again as Finding Number 2007-001. |



Mary Taylor, CPA
Auditor of State

VILLAGE OF HOPEDALE

HARRISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 25, 2008**