



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
PO Box 476
Hopedale, Ohio 43976-0476

To 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.

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Mary Taylor, CPA
Auditor of State

March 17, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Hopedale
Harrison County
PO Box 476
Hopedale, Ohio 43976-0476

To 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, 2009 and 2008. 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 § 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 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position or cash flows, where applicable 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, 2009 and 2008, 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 March 17, 2010, 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.

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

Mary Taylor, CPA
Auditor of State

March 17, 2010

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, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$48,654	\$2,215		\$50,869
Municipal Income Tax	113,683			113,683
Intergovernmental	26,065	46,455	\$95,000	167,520
Fines, Licenses and Permits	576			576
Earnings on Investments	123	15		138
Miscellaneous	1,756			1,756
	<u>190,857</u>	<u>48,685</u>	<u>95,000</u>	<u>334,542</u>
Total Cash Receipts				
	<u>190,857</u>	<u>48,685</u>	<u>95,000</u>	<u>334,542</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	56,665			56,665
Public Health Services	895			895
Leisure Time Activities	118			118
Basic Utility Service	4,450			4,450
Transportation	27,585	51,747		79,332
General Government	85,762			85,762
Debt Service:				
Redemption of Principal	14,973			14,973
Interest and Fiscal Charges	1,729			1,729
Capital Outlay			143,590	143,590
	<u>192,177</u>	<u>51,747</u>	<u>143,590</u>	<u>387,514</u>
Total Cash Disbursements				
	<u>192,177</u>	<u>51,747</u>	<u>143,590</u>	<u>387,514</u>
Total Receipts Over/(Under) Disbursements	<u>(1,320)</u>	<u>(3,062)</u>	<u>(48,590)</u>	<u>(52,972)</u>
Other Financing Receipts / (Disbursements):				
Transfers-Out	<u>(3,500)</u>			<u>(3,500)</u>
Total Other Financing Receipts / (Disbursements)	<u>(3,500)</u>			<u>(3,500)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,820)	(3,062)	(48,590)	(56,472)
Fund Cash Balances, January 1	<u>66,438</u>	<u>50,494</u>	<u>145,786</u>	<u>262,718</u>
Fund Cash Balances, December 31	<u>\$61,618</u>	<u>\$47,432</u>	<u>\$97,196</u>	<u>\$206,246</u>
Reserve for Encumbrances, December 31	<u>\$713</u>	<u>\$637</u>		<u>\$1,350</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, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$333,649		\$333,649
Miscellaneous	684		684
	<u>334,333</u>		<u>334,333</u>
Operating Cash Disbursements:			
Personal Services	88,690		88,690
Employee Fringe Benefits	46,473		46,473
Contractual Services	109,862		109,862
Supplies and Materials	33,897		33,897
Other	1,082		1,082
	<u>280,004</u>		<u>280,004</u>
Operating Income/(Loss)	<u>54,329</u>		<u>54,329</u>
Non-Operating Cash Receipts:			
Intergovernmental	10,905		10,905
	<u>10,905</u>		<u>10,905</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	37,904		37,904
Interest and Other Fiscal Charges	38,552		38,552
	<u>76,456</u>		<u>76,456</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(11,222)		(11,222)
Transfers-In	3,500		3,500
Net Receipts Over/(Under) Disbursements	(7,722)		(7,722)
Fund Cash Balances, January 1	<u>153,683</u>	<u>\$225</u>	<u>153,908</u>
Fund Cash Balances, December 31	<u>\$145,961</u>	<u>\$225</u>	<u>\$146,186</u>
Reserve for Encumbrances, December 31	<u><u>\$2,025</u></u>		<u><u>\$2,025</u></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, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$45,904	\$3,841		\$49,745
Municipal Income Tax	117,998			117,998
Intergovernmental	55,931	45,683	\$471,121	572,735
Fines, Licenses and Permits	875			875
Earnings on Investments	9,321	1,104		10,425
Miscellaneous	8,747			8,747
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	238,776	50,628	471,121	760,525
Cash Disbursements:				
Current:				
Security of Persons and Property	59,545			59,545
Public Health Services	906			906
Leisure Time Activities	22,942			22,942
Basic Utility Service	5,637			5,637
Transportation	154,211	76,561		230,772
General Government	111,618			111,618
Debt Service:				
Redemption of Principal	15,159			15,159
Interest and Fiscal Charges	2,395			2,395
Capital Outlay			875,335	875,335
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	372,413	76,561	875,335	1,324,309
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(133,637)	(25,933)	(404,214)	(563,784)
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Bonds			550,000	550,000
Sale of Fixed Assets	55,100			55,100
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	55,100		550,000	605,100
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(78,537)	(25,933)	145,786	41,316
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	144,975	76,427		221,402
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$66,438	\$50,494	\$145,786	\$262,718

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, 2008**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$326,980		\$326,980
Miscellaneous	6,386	\$5	6,391
Total Operating Cash Receipts	<u>333,366</u>	<u>5</u>	<u>333,371</u>
Operating Cash Disbursements:			
Personal Services	97,712		97,712
Employee Fringe Benefits	48,728		48,728
Contractual Services	96,703		96,703
Supplies and Materials	48,006		48,006
Other	1,120		1,120
Total Operating Cash Disbursements	<u>292,269</u>		<u>292,269</u>
Operating Income/(Loss)	<u>41,097</u>	<u>5</u>	<u>41,102</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	33,290		33,290
Interest and Other Fiscal Charges	15,516		15,516
Total Non-Operating Cash Disbursements	<u>48,806</u>		<u>48,806</u>
Net Receipts Over/(Under) Disbursements	(7,709)	5	(7,704)
Fund Cash Balances, January 1	<u>161,392</u>	<u>220</u>	<u>161,612</u>
Fund Cash Balances, December 31	<u>\$153,683</u>	<u>\$225</u>	<u>\$153,908</u>

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, 2009 AND 2008**

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, and police protection.

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. 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.

3. 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 Fund:

CDBG Waterline Replacement Fund – This fund receives intergovernmental receipts and proceeds of a general obligation bond. The receipts are being used to replace the waterlines in the Village.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. Enterprise Funds

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

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

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

5. 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.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 2009 and 2008 budgetary activity appears in Note 3.

E. 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.

F. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS

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

	2009	2008
Demand deposits	\$352,432	\$416,626

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$314,000	\$190,857	(\$123,143)
Special Revenue	54,050	48,685	(5,365)
Capital Projects	131,000	95,000	(36,000)
Enterprise	346,300	348,738	2,438
Total	\$845,350	\$683,280	(\$162,070)

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY - (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$380,438	\$196,390	\$184,048
Special Revenue	104,544	52,384	52,160
Capital Projects	276,786	143,590	133,196
Enterprise	499,983	358,485	141,498
Total	\$1,261,751	\$750,849	\$510,902

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$326,960	\$293,876	(\$33,084)
Special Revenue	54,900	50,628	(4,272)
Capital Projects	1,050,000	1,021,121	(28,879)
Enterprise	339,600	333,366	(6,234)
Total	\$1,771,460	\$1,698,991	(\$72,469)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$421,499	\$372,413	\$49,086
Special Revenue	129,341	76,561	52,780
Capital Projects	1,050,030	875,335	174,695
Enterprise	475,581	341,075	134,506
Total	\$2,076,451	\$1,665,384	\$411,067

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Issue II Capital Project Fund during 2008.

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.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one 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, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Equipment Bond, Series 2006	\$23,086	4.74%
Ohio Water Development Authority Loan # 2754	28,908	2.00%
Ohio Water Development Authority Loan # 4250	94,301	5.00%
Sanitary Sewer System Mortgage Revenue Bonds	199,600	4.875%
Water System Improvement Bond, Series 2008	519,038	5.18%
Total	<u>\$864,933</u>	

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 4.74% interest rate. The bond will be repaid in annual payments over 5 years. The bond is collateralized by the backhoe.

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.

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, 2009. 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 Water System Improvement Bond, Series 2008 was issued to replace waterlines within the Village. The original bond was issued June 5, 2008 for 20 years at 5.18% for \$550,000. The Village has agreed to set utility rates sufficient to cover the debt service requirements. The loan is collateralized by water surcharge revenues.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. DEBT - (Continued)

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

Year Ending December 31	Equipment Bond, Series 2006	OWDA Loan # 2754	Sewer Mortgage Bonds	Water System Improvement Bond, Series 2008
2010	\$12,381	\$19,787	\$12,930	\$38,283
2011	12,381	9,894	13,075	37,718
2012			13,004	37,226
2013			13,004	36,589
2014			13,075	36,024
2015-2019			64,921	171,713
2020-2024			65,039	157,639
2025-2029			65,041	435,713
2030-2034			65,057	
2035-2038			51,874	
Total	\$24,762	\$29,681	\$377,020	\$950,905

7. RETIREMENT SYSTEM

The 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has not paid all contributions required through December 31, 2009.

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.



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
PO Box 476
Hopedale, Ohio 43976-0476

To Village Council:

We have audited the financial statements of Village of Hopedale (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated March 17, 2010 wherein we noted the Village prepared its financial statements using 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated March 17, 2010.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 17, 2010.

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, the audit committee, Village Council and others within the Village. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 17, 2010

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Noncompliance Finding

Ohio Revised Code Section 5705.41(D) provides that no subdivision shall make any contract or 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 Council 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 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 extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Clerk/Treasurer did not certify the amount against the applicable appropriation accounts for 32% of tested expenditures in 2008 and 19% of tested expenditures in 2009. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

**FINDING NUMBER 2009-001
(Continued)**

Failure to certify the availability of funds and encumber appropriations could result in overspending and 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 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 authorizing disbursements. The Clerk-Treasurer 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 Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client Response:

The Mayor and Council will stress to Village employees that no purchases will be made until a purchase order has been certified.

FINDING NUMBER 2009-002

Noncompliance Finding

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making expenditure unless it has been properly appropriated.

In fiscal year 2008, expenditures exceeded appropriations in the Issue II Fund by \$102,121.

The Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk/Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if available.

Client Response:

The Mayor has directed the fiscal officer to provide a check register statement of bills paid as well as the financial report, depicting the amounts paid, allocated and remaining balances to each council member at monthly council meetings.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Revised Code Section 5705.41 (D) Disbursements were not properly certified.	No	Cited again as Finding Number 2009-001.
2007-002	Proper classification of receipts and disbursements. Material adjustments were made to the financial statements.	No	Partially corrected issued in management letter.



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
JULY 6, 2010**