



**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

**REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 1999**

**SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 1998**



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF NORTH HAMPTON
CLARK COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of North Hampton
Clark County
P.O. Box 457
250 West Clark Street
North Hampton, Ohio 45349

To the Village Council:

We have audited the accompanying financial statements of the Village of North Hampton, Clark County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 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 audit.

We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As discussed in Note 3 to the financial statements, the Village restated the beginning fund cash balance in the Enterprise Fund Type for activity relating to the Sewer Improvement Project.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Village, taken as a whole. The accompanying schedule of federal awards expenditures for the year ended December 31, 1998, is presented for the purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit organizations*, and is not a required part of the financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 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 the audit committee, management, and 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", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 13, 2000

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$20,734	\$3,001	\$23,735
Intergovernmental Receipts	10,100	55,100	65,200
Fines, Licenses, and Permits	52,973		52,973
Miscellaneous	1,112	373	1,485
	<u>84,919</u>	<u>58,474</u>	<u>143,393</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	25,608	29,095	54,703
Public Health Services		3,001	3,001
Leisure Time Activities	1,466		1,466
Transportation		26,888	26,888
General Government	28,491		28,491
Capital Outlay	1,718	12,798	14,516
	<u>57,283</u>	<u>71,782</u>	<u>129,065</u>
Total Disbursements			
Total Receipts Over/(Under) Disbursements	27,636	(13,308)	14,328
Fund Cash Balances January 1	26,770	90,140	116,910
	<u>26,770</u>	<u>90,140</u>	<u>116,910</u>
Fund Cash Balances, December 31	<u>\$54,406</u>	<u>\$76,832</u>	<u>\$131,238</u>
Reserves for Encumbrances, December 31	<u>\$1,514</u>	<u>\$0</u>	<u>\$1,514</u>

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

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$129,327	\$0	\$129,327
Court fines		61,187	61,187
Miscellaneous	3,393		3,393
	<u>132,720</u>	<u>61,187</u>	<u>193,907</u>
Operating Cash Disbursements:			
Personal Services	10,347		10,347
Contractual Services	49,067		49,067
Distributions of Court Fines		61,212	61,212
Supplies and Materials	9,313		9,313
Miscellaneous	99,897		99,897
Capital Outlay	301,154		301,154
	<u>469,778</u>	<u>61,212</u>	<u>530,990</u>
Operating Income/(Loss)	<u>(337,058)</u>	<u>(25)</u>	<u>(337,083)</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	243,505		243,505
Proceeds from Notes	2,200,000		2,200,000
	<u>2,443,505</u>	<u>0</u>	<u>2,443,505</u>
Non-Operating Cash Disbursements:			
Debt Service	2,260,829		2,260,829
	<u>2,260,829</u>	<u>0</u>	<u>2,260,829</u>
Net Receipts Over/(Under) Disbursements	(154,382)	(25)	(154,407)
Fund Cash Balances, January 1	<u>343,414</u>	<u>(79)</u>	<u>343,335</u>
Fund Cash Balances, December 31	<u><u>\$189,032</u></u>	<u><u>(\$104)</u></u>	<u><u>\$188,928</u></u>
Reserve for Encumbrances, December 31	<u><u>\$1,178</u></u>	<u><u>\$0</u></u>	<u><u>\$1,178</u></u>

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

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$18,844	\$3,001	\$21,845
Intergovernmental Receipts	18,908	48,194	67,102
Fines, Licenses, and Permits	57,237		57,237
Miscellaneous	696	1,449	2,145
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	95,685	52,644	148,329
Cash Disbursements:			
Current:			
Security of Persons and Property	25,639	41,219	66,858
Public Health Services		3,001	3,001
Leisure Time Activities	1,815		1,815
Basic Utility Services	4,447		4,447
Transportation		9,943	9,943
General Government	30,221		30,221
Capital Outlay	11,450		11,450
	<hr/>	<hr/>	<hr/>
Total Disbursements	73,572	54,163	127,735
Total Receipts Over/(Under) Disbursements	22,113	(1,519)	20,594
Fund Cash Balances January 1	4,657	91,659	96,316
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$26,770</u>	<u>\$90,140</u>	<u>\$116,910</u>
Reserves for Encumbrances, December 31	<u>\$470</u>	<u>\$0</u>	<u>\$470</u>

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

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$49,613	\$0	\$49,613
Court Fines		67,235	67,235
Miscellaneous	16,985		16,985
	<u>66,598</u>	<u>67,235</u>	<u>133,833</u>
Operating Cash Disbursements:			
Personal Services	10,856		10,856
Distribution of Court Fines		67,314	67,314
Contractual Services	30,905		30,905
Miscellaneous	62,008		62,008
Supplies and Materials	13,456		13,456
Capital Outlay	1,839,207		1,839,207
	<u>1,956,432</u>	<u>67,314</u>	<u>2,023,746</u>
Operating Income/(Loss)	<u>(1,889,834)</u>	<u>(79)</u>	<u>(1,889,913)</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	1,523,542		1,523,542
Non-Operating Cash Disbursements:			
Debt Service	55,271		55,271
Net Receipts Over/(Under) Disbursements	(421,563)	(79)	(421,642)
Fund balances, January 1, (as restated - note #3)	<u>764,977</u>	<u>0</u>	<u>764,977</u>
Fund Cash Balances, December 31	<u><u>\$343,414</u></u>	<u><u>(\$79)</u></u>	<u><u>\$343,335</u></u>
Reserve for Encumbrances, December 31	<u><u>\$232,191</u></u>	<u><u>\$0</u></u>	<u><u>\$232,191</u></u>

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

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of North Hampton, Clark County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), 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 Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Fund

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

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

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Fund (Continued)

Community Oriented Policing (COPS Grants) Fund - This fund is utilized to account for federal and state monies received to provide additional police protection.

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Construction Fund - This fund receives grant funds and loan proceeds to finance sewer line installation in the Village.

4. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayor's Court Fund - This fund is utilized to account for court fines and the distribution of court fines to the appropriate jurisdiction.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances (Continued)

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 budgetary activity appears in Note 4.

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.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 232,100	\$ 221,471
Certificates of deposit	<u>88,066</u>	<u>238,774</u>
Total deposits	<u><u>320,166</u></u>	<u><u>460,245</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

3. RESTATEMENT OF BEGINNING FUND BALANCE

The beginning fund cash balance was adjusted for the Enterprise Fund Type to reflect additional account balances for the Sewer Improvement Project which were not reflected on the Village's fiscal year 1997 financial statements.

Fund Cash Balance, 12/31/97	\$ 53,839
Adjustment to Fund Cash Balance, 1/1/98	<u>711,138</u>
Restated Fund Cash Balance, 1/1/98	<u><u>\$ 764,977</u></u>

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. BUDGETARY ACTIVITY

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

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 92,029	\$ 84,919	\$ (7,110)
Special Revenue	36,828	58,474	21,646
Enterprise	876,162	2,576,225	1,700,063
Total	<u>\$ 1,005,019</u>	<u>\$ 2,719,618</u>	<u>\$ 1,714,599</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 61,900	\$ 58,797	\$ 3,103
Special Revenue	64,200	71,782	(7,582)
Enterprise	853,502	2,731,785	(1,878,283)
Total	<u>\$ 979,602</u>	<u>\$ 2,862,364</u>	<u>\$ (1,882,762)</u>

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 81,015	\$ 95,685	\$ 14,670
Special Revenue	60,723	52,644	(8,079)
Enterprise	2,692,522	1,590,140	(1,102,382)
Total	<u>\$ 2,834,260</u>	<u>\$ 1,738,469</u>	<u>\$ (1,095,791)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 82,800	\$ 74,042	\$ 8,758
Special Revenue	69,068	54,163	14,905
Enterprise	2,704,635	2,243,894	460,741
Total	<u>\$ 2,856,503</u>	<u>\$ 2,372,099</u>	<u>\$ 484,404</u>

For the Enterprise Fund, the Village's Sewer Construction Fund was granted several federal and state grants. Ohio Rev. Code Section 5705.42 provides that grant funds are deemed appropriated. The amounts reflected in the schedules above represent budgeting on a project basis versus a calendar year basis.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. 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 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.

6. DEBT

Debt outstanding at December 31, 1999 follows:

	Principal	Interest Rate
Mortgage Revenue Bond Anticipation Notes	\$1,100,000	4.95%

The Mortgage Revenue Bond Anticipation Notes was obtained through Huntington National Bank in November, 1999 and matures February 11, 2000. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover debt service requirements.

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

Year ending December 31:	Mortgage Revenue Bond Anticipation Notes
2000	\$ 1,127,225

7. RESTRICTED CASH

The Village established a Sewer Note Fund with Huntington National Bank. These funds are restricted to repayment of the Sewer Project interim financing Revenue Bond Anticipation Notes. These amounts are reflected in the financial statements. The balance as of December 31, 1999 was \$6,941 and the balance as of December 31, 1998 was \$28,913.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

8. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

9. RISK MANAGEMENT

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

10. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although the outcome of these suits may have a material effect, the outcome is not determinable at this time.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

11. SUBSEQUENT EVENTS

The Village secured a \$1,045,000 loan through the United States Department of Agriculture (USDA). The loan was issued on February 9, 2000 and was utilized to retire the interim financing obtained through Huntington National Bank and utilized to finance the Sewer Construction Project. The USDA loan requires equal annual payments due on February 1 at an annual interest rate of 5.125%. The Village intends to use sewer collections to repay the debt.

12. NONCOMPLIANCE

The Village did not comply with Ohio Rev. Code Section 117.38 regarding filing and publishing annual reports, Ohio Rev. Code Section 733.28 regarding accurate financial statements, O.M.B. Circular A-133 regarding Single Audit requirements, Ohio Admin. Code 117-5-10 and 117-5-11 regarding maintaining receipt and appropriation ledgers, Ohio Rev. Code Section 5705.10 regarding posting revenue to special funds, and Ohio Rev. Code 5735.28 regarding division of gasoline tax proceeds.

VILLAGE OF NORTH HAMPTON
CLARK COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1998

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant/ Entitlement Grants	C-W-95-331-1	14.228	\$373,735
Total U.S. Department of Housing and Urban Development			373,735
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Public Safety Partnership and Community Policing Grants (COPS Grants)	95-CF-WX-2345	16.710	31,943
Total U.S. Department of Justice			31,943
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Water and Waste Disposal Systems for Rural Communities	41-12-310961691-2	10.760	696,000
Total U.S. Department of Agriculture			696,000
Total			\$1,101,678

The accompanying notes to this schedule are an integral part of this schedule.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1998**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's federal award programs. The Schedule has been prepared on the cash basis of accounting.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Village of North Hampton - Clark County
P.O. Box 457
250 West Clark Street
North Hampton, Ohio 45349

To the Village Council:

We have audited the accompanying financial statements of the Village of North Hampton, Clark County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated September 13, 2000, wherein we noted a restatement of the enterprise fund type fund cash balance as of January 1, 1998. We conducted our audit 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-30312-001 through 1999-30312-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as items 1999-30312-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 13, 2000.

This report is intended for the information and use of the audit committee, management, and Village Council, 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", written in a cursive style.

Jim Petro
Auditor of State

September 13, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of North Hampton -Clark County
P.O. Box 457
250 West Clark Street
North Hampton, Ohio 45349

To the Village Council:

Compliance

We have audited the compliance of Village of North Hampton (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1998. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Village of North Hampton's compliance with those requirements.

In our opinion, the Village of North Hampton complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998. However, the results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 1999-30312-008.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Village's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 1999-30312-008.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over federal compliance that we have reported to management of the Village in a separate letter dated September 13, 2000.

This report is intended for the information and use of the audit committee, management, Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

September 13, 2000

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list): <i>Single Audit Conducted for FY 1998</i>	Community Development Block Grant- CFDA # 14.228; Water and Waste Disposal Systems for Rural Communities- CFDA # 10.760
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

VILLAGE OF NORTH HAMPTON
CLARK COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 1999 AND 1998

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

FINDING NUMBER 1999-30312-001

Ohio Rev. Code Section 117.38 states that cash basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. Any public entity which does not file the report by the required date is subject to a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. This Section also requires the Village to publish an annual notice that the report is available for inspection.

The Village did not file its report for 1998 until March 18, 1999 and the 1999 report was not filed until March 20, 2000. The Clerk should file and publish the Village annual report within the prescribed period and maintain documentation of filing.

Ohio Rev. Code Section 733.28 requires the clerk to exhibit accurate statements for the financial records of the Village. Errors in accounting for the financial transactions by the Clerk resulted in the preparation of inaccurate financial statements that did not properly reflect the Village's financial activity or status which may result in statement users or management making improper decisions. Care should be taken to post items accurately and timely. The financial statements for the audit period have been adjusted for the known errors.

Ohio Admin. Code Sections 117-5-10 and 117-5-11 require the Village to maintain receipt and appropriation ledgers and make appropriate postings to the applicable ledger when monies are received or when an expenditure or encumbrance occurs. Certain transactions were not posted to the Receipts Ledger or the Appropriations Ledger which resulted in numerous errors in the Annual Reports of the Village for 1998 and 1999.

The Village should develop and implement policies and procedures to require that all activity recorded in the cash journal is transferred to the appropriate Ledger. Each month, the Village should reconcile amounts posted to the receipts ledger and the appropriation ledger to the totals indicated on the Cash Journal. These procedures will assist the Village in assuring that all activity is posted to the appropriate ledger and in preparing an accurate and complete Annual Report.

The Clerk should submit monthly bank reconciliations and detailed monthly financial reports to the Village Council for review and approval on a monthly basis. Further, Council should take an active role in monitoring all financial activity of the Village to improve the accuracy of financial information and improve decision making that is based on its current financial status

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 1999 AND 1998**

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

FINDING NUMBER 1999-30312-002

Ohio Administrative Code Section 117-5-11 requires that each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriated balance producing a declining unencumbered balance. All appropriate columns shall be totaled and reconciled on a monthly and yearly basis.

The Village did not maintain a declining unencumbered balance for each appropriation account during the period. The Village should develop and implement policies and procedures to provide that the unencumbered balance by appropriated account is monitored by the Village to ensure that expenditures do not exceed appropriations. Additionally, maintaining proper and current records will provide improved information for financial decision making purposes.

FINDING NUMBER 1999-30312-003

Ohio Administrative Code Section 117-5-10 requires that the estimated amount of money to be received into the account as specified by the County Budget Commission in its official estimate of balances and receipts set forth in the certificate of estimated resources are posted to the Receipts Ledger. All appropriate columns shall be totaled and reconciled on a monthly and yearly basis.

The Village did not total revenue accounts on a monthly basis. The Village should develop and implement policies and procedures to monitor the status of revenue against the certificate of estimated resources on a monthly basis. Additionally, maintaining proper and current records will provide improved information for financial decision making purposes.

FINDING NUMBER 1999-30312-004

The Indenture of Mortgage with Huntington National Bank, as issued in November, 1997 included the following covenant:

Section 6.6 requires that the Mortgagor will, as long as any of the Notes are outstanding, at its own expense, but only from the revenues of the System, furnish to the Trustee and to the Original Purchaser on or before the last day of each January and July, a statement showing in reasonable detail the income and expenditures of the System for the preceding six-month period; and will further furnish to the Trustee, on or before each January 30th, a balance sheet, a statement of surplus, and an income account showing, respectively, in reasonable detail, the financial condition of the System at the close of the preceding fiscal year, the changes in its surplus, and the results of its operations during such year.

The Village did not submit the required reports to Huntington National Bank. The Village should develop and implement procedures to ensure that all applicable debt covenants are met to the satisfaction of the debt agreement.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 1999 AND 1998**

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

FINDING NUMBER 1999-30312-005

Ohio Rev. Code Section 5705.10 requires that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made. Additionally, Ohio Rev. Code Section 5705.09 requires that each subdivision establish a special fund for each special levy.

The Village has authorized a Permissive Tax to be assessed. The revenue received from the State for this levy should be credited to a separate fund for Permissive Motor Vehicle License. The Village has made the adjustment and the adjustment is reflected in the financial statements.

FINDING NUMBER 1999-30312-006

Ohio Admin. Code Section 117-5-10 (C) states that when monies are received, the amount is first posted to the cash journal as prescribed in Ohio Admin. Code Section 117-5-09 and then posted to the proper account in the receipts ledger. All revenue received for a specific purpose should be posted to the appropriate fund. During 1999, the Village erroneously posted a receipt of \$523.26 to the General Fund. During 1998, the Village erroneously divided a receipt of \$523.26 between the Street and State Highway Fund. This revenue represent a state contribution to the Village's federal COPS Program and should have been posted to the COPS Fund within the Special Revenue Fund Type. The Village has made the adjustment and the adjustment is reflected in the financial statements.

FINDING NUMBER 1999-30312-007

Ohio Rev. Code Section 5735.28 requires that Gasoline tax received from the State be divided as follows: 92.5% to the Street Fund and 7.5% to the State Highway Fund.

The Village did not consistently distribute these funds. The client has made the adjustment and the adjustment is reflected in the financial statements. The Village should review this requirement and post future distributions in accordance with the above mentioned section of the Code.

FINDING NUMBER 1999-30312-008

OMB Circular A-133, Subpart B, Section 200 requires that all non-federal entities that expend \$300,000 or more in a year in federal awards shall have a single or program-specific audit conducted for that year. Additionally, per Section .320, for fiscal periods beginning before June 30, 1998, the audit should be completed within thirteen months. The Village did not request a Single Audit be performed. Not securing audit services in a timely manner could potentially subject the Village to exclusion from future federal funding or withholding of funding. Procedures should be developed and implemented to provide that adequate records of federal grant activity are maintained and reviewed by personnel independent of the record keeping process to aid in the preparation of all required reports and to meet the requirement of having an audit completed within the applicable time frame.



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VILLAGE OF NORTH HAMPTON

CLARK 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
OCTOBER 10, 2000**