



Dave Yost • Auditor of State

VILLAGE OF HOPEDALE
HARRISON COUNTY

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Dave Yost • Auditor of State

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

To the 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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Dave Yost
Auditor of State

August 21, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Hopedale, Harrison County, (the Village) as of and for the years ended December 31, 2011 and 2010. 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(A) mandates 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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 of the Village of Hopedale, Harrison County, , and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Hopedale adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2012, 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.



Dave Yost
Auditor of State

August 21, 2012

VILLAGE OF HOPEDALE
HARRISION COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$66,397	\$6,095		\$72,492
Municipal Income Tax	127,933			127,933
Intergovernmental	34,528	47,074		81,602
Fines, Licenses and Permits	6,302			6,302
Earnings on Investments	148	377		525
Miscellaneous	9,763			9,763
<i>Total Cash Receipts</i>	<u>245,071</u>	<u>53,546</u>		<u>298,617</u>
Cash Disbursements				
Current:				
Security of Persons and Property	28,237			28,237
Public Health Services	993			993
Basic Utility Services	4,530			4,530
Transportation	44,385	52,167		96,552
General Government	101,125			101,125
Debt Service:				
Principal Retirement	11,814			11,814
Interest and Fiscal Charges	571			571
<i>Total Cash Disbursements</i>	<u>191,655</u>	<u>52,167</u>		<u>243,822</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>53,416</u>	<u>1,379</u>		<u>54,795</u>
Other Financing Receipts (Disbursements)				
Transfers In		5,142		5,142
Transfers Out	(32,050)			(32,050)
Advances In	53			53
Advances Out	(1,053)			(1,053)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(33,050)</u>	<u>5,142</u>		<u>(27,908)</u>
Special Item				0
Extraordinary Item				0
<i>Net Change in Fund Cash Balances</i>	<u>20,366</u>	<u>6,521</u>		<u>26,887</u>
<i>Fund Cash Balances, January 1</i>	<u>45,592</u>	<u>27,967</u>	<u>2,132</u>	<u>75,691</u>
Fund Cash Balances, December 31				
Restricted		34,488	2,132	36,620
Unassigned (Deficit)	65,958			65,958
<i>Fund Cash Balances, December 31</i>	<u>\$65,958</u>	<u>\$34,488</u>	<u>\$2,132</u>	<u>\$102,578</u>

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

VILLAGE OF HOPEDALE
HARRISON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$340,548		\$340,548
Miscellaneous	100		100
<i>Total Operating Cash Receipts</i>	<u>340,648</u>		<u>340,648</u>
Operating Cash Disbursements			
Personal Services	84,932		84,932
Employee Fringe Benefits	32,158		32,158
Contractual Services	114,779		114,779
Supplies and Materials	49,590		49,590
Other	787	18	805
<i>Total Operating Cash Disbursements</i>	<u>282,246</u>	<u>18</u>	<u>282,264</u>
<i>Operating Income (Loss)</i>	<u>58,402</u>	<u>(18)</u>	<u>58,384</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(29,224)		(29,224)
Interest and Other Fiscal Charges	(43,301)		(43,301)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(72,525)</u>		<u>(72,525)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(14,123)	(18)	(14,141)
Transfers In	26,908		26,908
Advances In	1,053		1,053
Advances Out	(53)		(53)
<i>Net Change in Fund Cash Balances</i>	13,785	(18)	13,767
<i>Fund Cash Balances, January 1</i>	<u>127,489</u>	<u>225</u>	<u>127,714</u>
<i>Fund Cash Balances, December 31</i>	<u>\$141,274</u>	<u>\$207</u>	<u>\$141,481</u>

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

VILLAGE OF HOPEDALE
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$24,802	\$5,393		\$30,195
Municipal Income Tax	112,899			112,899
Intergovernmental	26,600	44,281	\$43,519	114,400
Fines, Licenses and Permits	3,665			3,665
Earnings on Investments	195	20		215
Miscellaneous	12,174			12,174
Total Cash Receipts	180,335	49,694	43,519	273,548
Cash Disbursements:				
Current:				
Security of Persons and Property	25,907			25,907
Public Health Services	904	2,000		2,904
Leisure Time Activities	19,564			19,564
Basic Utility Service	4,158			4,158
Transportation	26,790	67,301		94,091
General Government	99,726			99,726
Debt Service:				
Redemption of Principal	11,260		95,064	106,324
Interest and Fiscal Charges	1,110			1,110
Capital Outlay			43,519	43,519
Total Cash Disbursements	189,419	69,301	138,583	397,303
Total Receipts Over/(Under) Disbursements	(9,084)	(19,607)	(95,064)	(123,755)
Other Financing Receipts / (Disbursements):				
Transfers-In		142		142
Transfers-Out	(3,142)			(3,142)
Advances-Out	(3,800)			(3,800)
Total Other Financing Receipts / (Disbursements)	(6,942)	142		(6,800)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(16,026)	(19,465)	(95,064)	(130,555)
Fund Cash Balances, January 1	61,618	47,432	97,196	206,246
Fund Cash Balances, December 31	\$45,592	\$27,967	\$2,132	\$75,691

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, 2010**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$341,010		\$341,010
Miscellaneous	83		83
Total Operating Cash Receipts	341,093		341,093
Operating Cash Disbursements:			
Personal Services	96,820		96,820
Employee Fringe Benefits	51,378		51,378
Contractual Services	104,042		104,042
Supplies and Materials	37,392		37,392
Other	409		409
Total Operating Cash Disbursements	290,041		290,041
Operating Income/(Loss)	51,052		51,052
Non-Operating Cash Disbursements:			
Redemption of Principal	38,793		38,793
Interest and Other Fiscal Charges	37,531		37,531
Total Non-Operating Cash Disbursements	76,324		76,324
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(25,272)		(25,272)
Transfers-In	3,000		3,000
Advances-In	3,800		3,800
Net Receipts Over/(Under) Disbursements	(18,472)		(18,472)
Fund Cash Balances, January 1	145,961	\$225	146,186
Fund Cash Balances, December 31	\$127,489	\$225	\$127,714

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, 2011 AND 2010**

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 services through an agreement with Harrison County Sheriff's department.

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:

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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) 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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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, 2011 AND 2010
(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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

E. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

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

5. Unassigned

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

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 DEPOSITS

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

	2011	2010
Demand deposits	\$244,059	\$203,405

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, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$230,069	\$245,071	\$15,002
Special Revenue	53,292	58,688	5,396
Capital Projects	0	0	0
Enterprise	364,208	367,556	3,348
Total	\$647,569	\$671,315	\$23,746

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY - (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$221,591	\$223,705	(\$2,114)
Special Revenue	57,099	52,167	4,932
Capital Projects	0	0	0
Enterprise	398,293	354,771	43,522
Total	<u>\$676,983</u>	<u>\$630,643</u>	<u>\$46,340</u>

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$180,314	\$180,335	\$21
Special Revenue	49,000	49,836	836
Capital Projects	0	43,519	43,519
Enterprise	323,200	344,093	20,893
Total	<u>\$552,514</u>	<u>\$617,783</u>	<u>\$65,269</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$242,645	\$192,561	\$50,084
Special Revenue	99,069	69,301	29,768
Capital Projects	140,715	138,583	2,132
Enterprise	471,186	366,365	104,821
Total	<u>\$953,615</u>	<u>\$766,810</u>	<u>\$186,805</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water Loan fund by \$10,190 for the year ended December 31, 2010. Also contrary to Ohio law, Ohio Revised Code 5705.41(D), in 2011 56% and in 2010 47% of Village expenditures were not certified.

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.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. PROPERTY TAX - (Continued)

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, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sanitary Sewer System Mortgage Revenue Bonds	\$192,900	4.87%
Water System Improvement Bond, Series 2008	\$484,786	5.18%
Truck Lease	\$14,998	6.50%
Total	<u>\$692,684</u>	

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.

The Village entered into a lease purchase agreement for a Ford truck in 2011. The original amount of the lease was \$23,220 and will be repaid in three annual installments of \$8,232 each. The lease is collateralized by the Village's taxing authority.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. DEBT - (Continued)

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

Year ending December 31:	Sewer Mortgage Bonds	Water System Improvement Bonds, Series 2008	Truck Lease
2012	\$13,004	\$44,809	\$8,232
2013	12,928	44,809	8,232
2014	13,048	44,809	
2015	12,953	44,809	
2016	13,053	44,809	
2017-2021	64,872	224,045	
2022-2026	64,996	220,045	
2027-2031	65,031	42,602	
2032-2036	65,054		
2036-2038	25,984		
Total	<u>\$350,923</u>	<u>\$710,737</u>	<u>\$16,464</u>

7. RETIREMENT SYSTEM

The Village's 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 2011 and 2010, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

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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Dave Yost • 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 the Village Council:

We have audited the financial statements of Village of Hopedale (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 21, 2012 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. In addition, we noted the Village implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted 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(A) mandates 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-03 described in the accompanying schedule of findings to be a material weakness.

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 2011-01 and 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 21, 2012.

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

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



Dave Yost
Auditor of State

August 21, 2012

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) provides in part 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 officers' 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 clerk/treasurers' 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 District 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 Village Council if such expenditure is otherwise valid.

2. **Blanket Certificate** – The Clerk/Treasurer 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 Village Clerk/Treasurer did not certify or record the amount against the applicable appropriation accounts for 56% and 47%, of tested 2011 and 2010 expenditures, 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 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 Fiscal Officer 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 Clerk/Treasurer 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 prior to the County incurring 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.

FINDING NUMBER 2011-02

Noncompliance Citation

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

In 2010, expenditures exceeded appropriations in the Water Loan Fund \$10,190 or 100% of the fund's expenditures.

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

FINDING NUMBER 2011-03

Material Weakness

Posting of Receipts and Expenditures

The Clerk/Treasurer did not correctly post all receipts and expenditures in 2010 and 2011, which resulted in adjustments and reclassifications. The Clerk/Treasurer has agreed to the reclassifications and adjustments. The adjustments have been posted to the Village's accounting records and these corrected amounts are reflected in the accompanying financial statements.

2010:

Fund	Account Type	Amount	Description
Reclassifications			
General	Intergovernmental revenue	\$8,621	Intergovernmental Revenue that was posted to Taxes
General	Redemption of principal	\$2,260	Redemption of principal had been classified as General government expense
CDBG-Waterline Replacement	Redemption of principal	\$95,064	Redemption of principal had been classified as Capital outlay expense
Adjustment			
Issue II	Intergovernmental revenue & Capital outlay expenses	\$43,519	To record Issue II receipts and expenditures that had not been posted to the ledgers.

2011

Reclassification			
Street Construction, Maintenance & Repair	Intergovernmental revenue	\$1,975	To record intergovernmental revenue that had been recorded as local taxes
Adjustments			
General	Municipal income tax revenue	(\$1,000)	Municipal income tax revenue had been recorded in an amount greater than the actual receipt
General	Intergovernmental revenue	\$1,607	To record revenue that had not been posted to the ledgers
General	General government expense	\$10,466	To record an expense that had not been posted to the ledgers
Street Construction Maintenance & Repair	Intergovernmental revenue	\$2,941	To record revenue that had not been posted to the ledgers
State Highway	Intergovernmental revenue	\$238	To record revenue that had not been posted to the ledgers
Permissive MVL	Local tax revenue	\$393	To record revenue that had not been posted to the ledgers
Water Operating	Charges for services revenue	(\$2,798)	Charges for service revenue had been posted to the ledgers twice
Sewer Operating	Charges for services revenue	(\$2,868)	Charges for service revenue had been posted to the ledgers twice
Enterprise Improvement	Charges for services revenue	(\$311)	Charges for service revenue had been posted to the ledgers twice
Waterline Surcharge	Charges for services revenue	(\$361)	Charges for service revenue had been posted to the ledgers twice
Tri-Centennial Trust	Other Expenses	\$18	Other expenses not posted to ledger

**FINDING NUMBER 2011-03
(Continued)**

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 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. The Clerk/Treasurer should refer to Auditor of State Bulletin 2000-008 which provides guidance on accounting for on-behalf-of programs when local government or its residents are beneficiaries of the program. The Clerk/Treasurer should also prepare accurate monthly reconciliations with a complete explanation of all reconciling items. In addition, the Village should adopt procedures for the review of posted transactions, subsequent posting to the financial statements and monthly reconciliations.

Official's Response:

This audit was conducted for the years prior to my taking over as Clerk/Treasurer. I will be taking the necessary steps to correct these past mistakes.

VILLAGE OF HOPEDALE
HARRISON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	ORC 5705.41(D)	No	Repeated as Finding # 2011-01
2009-002	ORC 5705.41(B)	No	Repeated as Finding # 2011-02

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Dave Yost • 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 8, 2012