



Dave Yost • Auditor of State

VILLAGE OF HOPEDALE
HARRISON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Hopedale, Harrison County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Hopedale, Harrison County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 9, 2014

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$52,787	\$6,062		\$58,849
Municipal Income Tax	134,587			134,587
Intergovernmental	21,970	43,834		65,804
Fines, Licenses and Permits	5,792			5,792
Earnings on Investments	206	11		217
Miscellaneous	17,574			17,574
<i>Total Cash Receipts</i>	<u>232,916</u>	<u>49,907</u>	<u>\$0</u>	<u>282,823</u>
Cash Disbursements				
Current:				
Security of Persons and Property	22,298			22,298
Public Health Services	8,478			8,478
Basic Utility Services	20,112			20,112
Transportation	12,758	56,517		69,275
General Government	135,539			135,539
Capital Outlay	55,928	1,188		57,116
Debt Service:				
Principal Retirement	12,466			12,466
<i>Total Cash Disbursements</i>	<u>267,579</u>	<u>57,705</u>	<u>0</u>	<u>325,284</u>
<i>Excess of Cash Receipts (Under) Cash Disbursements</i>	<u>(34,663)</u>	<u>(7,798)</u>	<u>0</u>	<u>(42,461)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	12,428			12,428
Transfers In		10,000		10,000
Transfers Out	(10,000)			(10,000)
Other Financing Uses	(7,813)			(7,813)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,385)</u>	<u>10,000</u>	<u>0</u>	<u>4,615</u>
<i>Net Change in Fund Cash Balances</i>	<u>(40,048)</u>	<u>2,202</u>	<u>0</u>	<u>(37,846)</u>
<i>Fund Cash Balances, January 1</i>	<u>188,223</u>	<u>52,148</u>	<u>2,132</u>	<u>242,503</u>
Fund Cash Balances, December 31				
Restricted		54,350	2,132	56,482
Unassigned (Deficit)	148,175			148,175
<i>Fund Cash Balances, December 31</i>	<u>\$148,175</u>	<u>\$54,350</u>	<u>\$2,132</u>	<u>\$204,657</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, 2013**

	Proprietary Fund Types	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$388,300		\$388,300
Miscellaneous	1,228	\$65	1,293
<i>Total Operating Cash Receipts</i>	<u>389,528</u>	<u>65</u>	<u>389,593</u>
Operating Cash Disbursements			
Personal Services	95,385		95,385
Employee Fringe Benefits	15,193		15,193
Contractual Services	140,425		140,425
Supplies and Materials	45,532		45,532
Other	732		732
<i>Total Operating Cash Disbursements</i>	<u>297,267</u>	<u>0</u>	<u>297,267</u>
<i>Operating Income</i>	<u>92,261</u>	<u>65</u>	<u>92,326</u>
Non-Operating (Disbursements)			
Principal Retirement	(30,855)		(30,855)
Interest and Other Fiscal Charges	(33,880)		(33,880)
<i>Total Non-Operating (Disbursements)</i>	<u>(64,735)</u>	<u>0</u>	<u>(64,735)</u>
<i>Net Change in Fund Cash Balances</i>	<u>27,526</u>	<u>65</u>	<u>27,591</u>
<i>Fund Cash Balances, January 1</i>	<u>184,644</u>	<u>222</u>	<u>184,866</u>
<i>Fund Cash Balances, December 31</i>	<u>\$212,170</u>	<u>\$287</u>	<u>\$212,457</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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$47,499	\$6,200		\$53,699
Municipal Income Tax	119,459			119,459
Intergovernmental	207,228	47,347		254,575
Charges for Services	120			120
Fines, Licenses and Permits	6,252			6,252
Earnings on Investments	154	27		181
Miscellaneous	12,966			12,966
<i>Total Cash Receipts</i>	<u>393,678</u>	<u>53,574</u>	<u>\$0</u>	<u>447,252</u>
Cash Disbursements				
Current:				
Security of Persons and Property	20,869			20,869
Public Health Services	983			983
Basic Utility Services	24,857			24,857
Transportation	49,498	35,914		85,412
General Government	175,007			175,007
<i>Total Cash Disbursements</i>	<u>271,214</u>	<u>35,914</u>	<u>0</u>	<u>307,128</u>
<i>Excess of Cash Receipts Over Cash Disbursements</i>	<u>122,464</u>	<u>17,660</u>	<u>0</u>	<u>140,124</u>
Other Financing (Disbursements)				
Advances Out	(184)			(184)
Other Financing Uses	(15)			(15)
<i>Total Other Financing (Disbursements)</i>	<u>(199)</u>	<u>0</u>	<u>0</u>	<u>(199)</u>
<i>Net Change in Fund Cash Balances</i>	122,265	17,660	0	139,925
<i>Fund Cash Balances, January 1</i>	<u>65,958</u>	<u>34,488</u>	<u>2,132</u>	<u>102,578</u>
Fund Cash Balances, December 31				
Restricted		52,148	2,132	54,280
Unassigned (Deficit)	<u>188,223</u>			<u>188,223</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$188,223</u></u>	<u><u>\$52,148</u></u>	<u><u>\$2,132</u></u>	<u><u>\$242,503</u></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, 2012**

	Proprietary Fund Types	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$358,778		\$358,778
Miscellaneous	10,675	\$15	10,690
<i>Total Operating Cash Receipts</i>	<u>369,453</u>	<u>15</u>	<u>369,468</u>
Operating Cash Disbursements			
Personal Services	93,135		93,135
Employee Fringe Benefits	17,822		17,822
Contractual Services	125,025		125,025
Supplies and Materials	24,454		24,454
Other	882		882
<i>Total Operating Cash Disbursements</i>	<u>261,318</u>	<u>0</u>	<u>261,318</u>
<i>Operating Income</i>	<u>108,135</u>	<u>15</u>	<u>108,150</u>
Non-Operating (Disbursements)			
Principal Retirement	(22,419)		(22,419)
Interest and Other Fiscal Charges	(42,530)		(42,530)
<i>Total Non-Operating (Disbursements)</i>	<u>(64,949)</u>	<u>0</u>	<u>(64,949)</u>
<i>Income before Advances</i>	43,186	15	43,201
Advances In	184		184
<i>Net Change in Fund Cash Balances</i>	43,370	15	43,385
<i>Fund Cash Balances, January 1</i>	<u>141,274</u>	<u>207</u>	<u>141,481</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$184,644</u></u>	<u><u>\$222</u></u>	<u><u>\$184,866</u></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, 2013 AND 2012**

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 contracts with the Harrison County Sheriff's department to provide security of persons and property.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Fund:

CDBG Waterline Replacement Fund – This fund was established to receive intergovernmental revenue and proceeds of general obligation bonds. There was no activity in this fund for the period January 1, 2012 through December 31, 2013.

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

Sewer 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 the Hopedale Alumni Association Tri Centennial time capsule funds.

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. Unencumbered appropriations lapse at year end.

VILLAGE OF HOPEDALE
HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

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 approve estimated resources.

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

E. Fund Balance

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.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance (Continued)

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.

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 at December 31 was as follows:

	<u>2013</u>	<u>2012</u>
Demand deposits	<u>\$417,114</u>	<u>\$427,369</u>

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012, follows:

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$244,029	\$245,344	\$1,315
Special Revenue	78,232	59,907	(18,325)
Enterprise	346,100	389,528	43,428
Total	\$668,361	\$694,779	\$26,418

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$432,056	\$285,392	\$146,664
Special Revenue	125,380	57,705	67,675
Capital Projects	2,132		2,132
Enterprise	527,862	362,002	165,860
Total	\$1,087,430	\$705,099	\$382,331

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$266,928	\$393,678	\$126,750
Special Revenue	34,000	53,574	19,574
Enterprise	290,000	369,637	79,637
Total	\$590,928	\$816,889	\$225,961

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$325,072	\$271,413	\$53,659
Special Revenue	67,560	35,914	31,646
Capital Projects	2,132		2,132
Enterprise	432,927	326,267	106,660
Total	\$827,691	\$633,594	\$194,097

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.

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, 2013 AND 2012
(Continued)**

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, 2013, was as follows:

	Principal	Interest Rate
Sanitary Sewer System Mortgage Revenue Bonds	\$185,600	4.87%
Water System Improvement Bonds Series 2008	446,893	5.18%
Total	\$632,493	

The Sanitary Sewer System Mortgage Revenue Bonds were issued to the Village through the USDA Rural Development to pay for the sanitary sewer extension project. The bonds were issued in 2002 in the amount of \$225,000. The debt will be repaid in annual installments over a period of 40 years. The bonds are collateralized by sewer revenue.

The Water System Improvement Bond, Series 2008 was issued to replace waterlines within the Village. The original bond was issued June 5, 2008 in the amount of \$550,000. It will be repaid in semi-annual installments over a period of 20 years. The Village has agreed to set utility rates sufficient to cover the debt service requirements. The bond is collateralized by water surcharge revenues.

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

	Sanitary Sewer System Mortgage Revenue Bonds	Water System Improvement Bond Series 2008
Year ending December 31:		
2014	\$13,048	\$44,809
2015	12,953	44,809
2016	13,053	44,809
2017	12,939	44,809
2018	13,019	44,809
2019-2023	65,152	224,045
2024-2028	64,908	224,045
2029-2033	64,985	
2034-2038	65,026	
Total	\$325,083	\$672,135

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Retirement Systems

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 the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Hopedale, Harrison County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated May 9, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-002 and 2013-003 described in the accompanying Schedule of Findings to be material weaknesses.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2013-001.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

May 9, 2014

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2013-001

Noncompliance – Ohio Rev. Code § 5705.41(D)(1)

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto.

The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void. 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:

Then and Now Certificate – If the fiscal officer can certify that both at the time the contract or order was made "then" and at the time that the fiscal officer is completing the certification "now", that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

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.

Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account 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 certificate may be outstanding at a particular time for any line-item appropriation.

Although the obligations paid by the Village had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of an appropriate fund, and free from any previous encumbrance, this certification of available funds was not obtained prior to incurring the obligation for 29% of transactions tested. Although a "Then and Now" certificate was initiated, the specific amount was not formally approved by ordinance or resolution as required, therefore resulting in non-compliance.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-001 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(D)(1) (Continued)

Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund 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, we recommend the Clerk/Treasurer certify that funds are or will be available prior to obligations being incurred by the Village. When prior certification is not possible, "then and now" certificates should be used.

Official's Response: The Village will ensure to take the proper steps that all Then & Now Certificates are approved by Council and recorded in the village minutes.

Finding Number 2013-002

Material Weakness – Receipt and Expenditure Classifications

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village Officer's Handbook (revised March 2013) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village did not properly post and classify all receipts and expenditures. Errors were made in recording various intergovernmental receipts and taxes and debt payments. Amounts were not always posted to the correct fund and/or line item. The following adjustments and reclassifications were noted:

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-002 (Continued)

Material Weakness - Receipt and Expenditure Classifications (Continued)

ADJUSTMENTS:			
From:	To:	Amount:	Description:
2012			
General Fund	Street Fund	\$2,472	adjust for prior year unadjusted motor vehicle license tax (MVL) posting errors that were material in current year
General Fund	State Highway Fund	200	adjust for prior year unadjusted MVL posting errors that were material in the current year
Street Fund	Permissive MVL Fund	927	adjust for prior year unadjusted permissive MVL errors that were material in the current year
State Highway Fund	Permissive MVL Fund	393	adjust for prior year unadjusted permissive MVL errors that were material in the current year
Street Fund	General Fund	1,045	adjust for liquor permit fees posted to the Street fund
General Fund	Street Fund	472	adjust for MVL posted to the General Fund
General Fund	State Highway Fund	545	adjust for MVL posted to the General Fund
General Fund	Street Fund	1,388	adjust for MVL posted to the General Fund
State Highway Fund	Street Fund	1,198	adjust for MVL improperly allocated to the State Highway Fund
Revenue Bond & Interest Sinking Fund	Debt Service Waterline Surcharge	31,024	adjust for a debt payment posted to the wrong fund
2013			
General Fund		55,928	properly record the inception of a capital lease on the Village books along with the corresponding capital outlay expenditure
Water Deposit Fund	Water Operating Fund	8,232	adjust for a debt payment posted to the wrong fund

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-002 (Continued)

Material Weakness - Receipt and Expenditure Classifications (Continued)

RECLASSIFICATIONS:			
From:	To:	Amount:	Description:
2012			
Street Fund - Taxes	Street Fund - Intergovernmental Revenue	2,088	reclassify MVL posted as taxes
State Highway Fund - Taxes	State Highway Fund - Intergovernmental Revenue	140	reclassify MVL posted as taxes
General Fund - Non-Spendable Fund Balance	General Fund - Unassigned Fund Balance	188,223	reclassify General Fund ending fund balance in accordance with GASB 54

The adjustments with which the Village officials' agree are reflected within the accompanying financial statements and posted to the accounting records.

We recommend the Village utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions.

Official's Response: The posting classifications have been duly noted and steps will be taken to post to the proper account.

Finding Number 2013-003

Material Weakness – Posting of Approved Budgetary Measures

The Village should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts.

The Village Clerk/Treasurer did not accurately post estimated receipts per the Amended Certificate of Estimated Resources to the accounting system.

In 2013, estimated taxes in the General Fund per the Final Amended Certificate of Estimated resources were \$45,000 while the amount recorded in the accounting system as estimated taxes was \$48,000. This was a variance of \$3,000.

In 2012, the General Fund total estimated receipts per the Final Amended Certificate of Estimated Resources were \$266,928 while the amount of the estimated receipts in the accounting system was \$224,428. This was a variance of \$42,500. In addition, the estimated taxes for the General Fund per the Final Amended Certificate of Estimated Resources were \$47,500 while the amount recorded as estimated taxes in the accounting system was \$12,452. This was a variance of (\$35,048).

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-003 (Continued)

Material Weakness - Posting of Approved Budgetary Measures (Continued)

Note 3 to the financial statements was amended to accurately reflect the budgetary activity.

When authorized budgetary amounts are not correctly entered into the accounting system, the budget vs. actual information generated by the system is not a useful monitoring tool and is not an accurate reflection of the financial position of the Village.

We recommend the Village review the current procedures in place for recording estimated revenue. The necessary steps should be taken to ensure that amounts from original approved budgetary measures are accurately posted to the Village's accounting system.

Official's Response: We did not receive a response from Officials to this finding.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Rev. Code Section 5705.41(D)(1), not always certifying availability of funds prior to incurring obligations.	No	Not Corrected; Reissued as Finding No. 2013-001.
2011-02	Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in Water Loan Fund.	Yes	
2011-03	Material Weakness –not always posting receipts and expenditures correctly.	No	Not Corrected; Reissued as Finding No. 2013-002.



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
JUNE 5, 2014