

VILLAGE OF HOPEDALE

AUDIT REPORT

JANUARY 1, 2016 - DECEMBER 31, 2017

**Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Hopedale, Harrison County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Hopedale is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 23, 2018

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**VILLAGE OF HOPEDALE
HARRISON COUNTY
JANUARY 1, 2016 - DECEMBER 31, 2017**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' 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 of the cash balances, receipts and disbursements by fund type and related notes of the Village of Hopedale, Harrison County, as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial provisions of 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 opinions.

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

As described in Note 2 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, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, are presumed to be material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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 of Hopedale as of December 31, 2017 and 2016, 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 as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 7, 2018, on our consideration of the Village of Hopedale'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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
February 7, 2018

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 45,949	\$ 38,407	\$ -	\$ 84,356
Municipal Income Tax	177,675	-	-	177,675
Intergovernmental Receipts	29,413	48,343	-	77,756
Fines, Licenses, and Permits	7,863	-	-	7,863
Miscellaneous	2,116	750	-	2,866
Total Cash Receipts	<u>263,016</u>	<u>87,500</u>	<u>-</u>	<u>350,516</u>
Cash Disbursements				
Current:				
Security of Persons and Property	22,146	-	-	22,146
Public Health Services	750	-	-	750
Basic Utility Services	16,391	-	-	16,391
Transportation	35,967	52,570	-	88,537
General Government	150,807	-	-	150,807
Debt Service - Principal Repayment	-	9,900	-	9,900
Capital Outlay	15,440	121,858	2,132	139,430
Total Cash Disbursements	<u>241,501</u>	<u>184,328</u>	<u>2,132</u>	<u>427,961</u>
Total Receipts Over/(Under) Disbursements	<u>21,515</u>	<u>(96,828)</u>	<u>(2,132)</u>	<u>(77,445)</u>
Other Financing Receipts/(Disbursements)				
Debt Proceeds	-	121,612	-	121,612
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>121,612</u>	<u>-</u>	<u>121,612</u>
Excess of cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>21,515</u>	<u>24,784</u>	<u>(2,132)</u>	<u>44,167</u>
Fund Cash Balances, January 1, 2017	<u>162,672</u>	<u>82,552</u>	<u>2,132</u>	<u>247,356</u>
Fund Cash Balances, December 31, 2017				
Restricted	-	107,336	-	107,336
Unassigned (Deficit)	184,187	-	-	184,187
Fund Cash Balances, December 31, 2017	<u>\$ 184,187</u>	<u>\$ 107,336</u>	<u>\$ -</u>	<u>\$ 291,523</u>

See notes to financial statements.

**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, 2017**

	<u>Proprietary</u>	<u>Fiduciary</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 595,080	\$ -	\$ 595,080
Total Operating Cash Receipts	<u>595,080</u>	<u>-</u>	<u>595,080</u>
Operating Cash Disbursements:			
Personal Services	115,471	-	115,471
Fringe Benefits	18,773	-	18,773
Contractual Services	153,908	-	153,908
Supplies and Materials	38,999	-	38,999
Other	1,650	316	1,966
Total Operating Cash Disbursements	<u>328,801</u>	<u>316</u>	<u>329,117</u>
Operating Income/(Loss)	<u>266,279</u>	<u>(316)</u>	<u>265,963</u>
Non-Operating Cash Receipts:			
Debt Proceeds	894,527	-	894,527
Other Non-operating Receipts	160,880	-	160,880
Total Non-Operating Cash Receipts	<u>1,055,407</u>	<u>-</u>	<u>1,055,407</u>
Non-Operating Cash Disbursements:			
Capital Outlay	913,067	-	913,067
Principal Retirement	220,340	-	220,340
Interest and Fiscal Charges	75,167	-	75,167
Total Non-Operating Cash Disbursements	<u>1,208,574</u>	<u>-</u>	<u>1,208,574</u>
Net Change in Fund Cash Balance	113,112	(316)	112,796
Fund Cash Balances, January 1, 2017	<u>326,266</u>	<u>316</u>	<u>326,582</u>
Fund Cash Balances, December 31, 2017	<u>\$ 439,378</u>	<u>\$ -</u>	<u>\$ 439,378</u>

See notes to financial statements.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. REPORTING ENTITY

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 general government, including water and sewer utilities, street maintenance, park operations (leisure time activities) and police protection. The Village contracts with the Harrison County Sheriff's office 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

Governmental Funds

General Fund

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

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific 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 license tax money for constructing, maintaining, and repairing Village streets.

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). 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.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Enterprise Improvement Fund – This fund receives charges for service and debt proceeds to cover the cost of water and sewer improvements.

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. All funds have been spent as of December 31, 2017.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

Budgetary Process

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

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.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investment as assets. This basis does not record disbursement for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Property, Plant, and Equipment

Acquisition of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Accumulated Leave

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

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:

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

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.

Committed – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless 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.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 ordinance, or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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 (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 classification could be used.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2017 is as follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 262,691	\$ 263,016	\$ 325
Special Revenue	281,820	209,112	(72,708)
Enterprise	1,192,662	1,650,487	457,825
Total	\$ 1,737,173	\$ 2,122,615	\$ 385,442

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 413,622	\$ 241,501	\$ 172,121
Special Revenue	366,723	184,328	182,395
Capital Projects	2,132	2,132	-
Enterprise	1,478,557	1,537,375	(58,818)
Total	\$ 2,261,034	\$ 1,965,336	\$ 295,698

Contrary to ORC 5705.41(B), the Village's funds had expenditures greater than appropriations.

Contrary to ORC 5705.41(D), the Village made expenditures without prior certification.

Contrary to ORC 5705.39, the Village funds had appropriations exceeding estimated resources.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

4. 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:

	2017
Demand Deposits	<u>\$ 730,901</u>
Total Deposits	<u>\$ 730,901</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institutions public entity deposit pool.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 make semiannual payment, the first half is due by 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.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.0 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.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- * Comprehensive property and general liability
- * Vehicles; and
- * Errors and omissions.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Village’s full-time employees belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant’s gross salaries. The Village has paid all contributions required through December 31, 2017.

9. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

10. DEBT

Debt outstanding at December 31, 2017 was as follows:

	2017 Principal	%
Sanitary Sewer Mortgage Revenue Bonds	\$ 161,914	2.94
Water System Improvement Bonds	358,597	5.18
ODOT SIB Loan	535,516	3.00
Ohio Public Works Commission CT61T	89,100	0.00
Ohio Water Development Authority 7583	880,751	0.00
Total	\$ 2,025,878	

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 bonds were re-financed in 2016 and will be repaid in annual instalments over a period of 10 years and paid through the Revenue Bond Sewer Fund. 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 through the Debt Service Waterline Fund over a period of 20 years. The Village has agreed to set utility rates sufficient to cover the debt service requirements. The bonds are collateralized by water surcharge revenues.

In 2015, the Village took out a loan from the Ohio Water Development Authority for I & I Reduction and WWTP Improvements. This was loan was approved for \$221,076. As of December 31, 2017, the Village has drawn \$181,076. This was paid off in 2017.

In 2016, the Village entered into loans with the Ohio Public Works Commission in the amount of \$99,000 and Ohio Department of Transportation in the amount of \$529,000, in which \$529,000 has been drawn through 2017 for road repairs. The SIB loan balance as of December 31, 2017 also includes accrued interest of \$6,516 due in 2018. This will be repaid from the Street Fund.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

10. DEBT (Continued)

In 2017, the Village took out a loan from the Ohio Water Development Authority for WWTP Improvements. This loan was approved for \$1,315,070. As of December 31, 2017, the Village has drawn \$880,751. There is no amortization schedule as of December 31, 2017.

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

Year Ending December 31	Sanitary Sewer Bonds	Water Improvement Bonds	OPWC CT61T	ODOT SIB Loan
2018	\$ 20,779	\$ 34,940	\$ 9,900	\$ 19,596
2019	20,779	35,621	9,900	39,192
2020	20,779	36,338	9,900	39,192
2021	20,779	37,091	9,900	39,192
2022	20,779	37,884	9,900	39,192
2023-2027	83,116	202,822	39,600	195,958
2028-2032	-	-	-	195,955
2033-2037	-	-	-	137,169
	<u>\$ 187,011</u>	<u>\$ 384,696</u>	<u>\$ 89,100</u>	<u>\$ 705,446</u>

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 44,992	\$ 12,500	\$ -	\$ 57,492
Municipal Income Tax	165,959	-	-	165,959
Intergovernmental Receipts	29,830	143,450	-	173,280
Fines, Licenses, and Permits	7,163	-	-	7,163
Miscellaneous	1,161	22,406	-	23,567
Total Cash Receipts	<u>249,105</u>	<u>178,356</u>	<u>-</u>	<u>427,461</u>
Cash Disbursements				
Current:				
Security of Persons and Property	25,191	-	-	25,191
Basic Utility Services	28,269	-	-	28,269
Transportation	37,035	145,704	-	182,739
General Government	163,236	-	-	163,236
Capital Outlay	-	512,904	-	512,904
Total Cash Disbursements	<u>253,731</u>	<u>658,608</u>	<u>-</u>	<u>912,339</u>
Total Receipts Over/(Under) Disbursements	(4,626)	(480,252)	-	(484,878)
Other Financing Receipts/(Disbursements)				
Debt Proceeds	-	512,904	-	512,904
Other Financing Uses	(16)	-	-	(16)
Transfers - Out	(9,000)	-	-	(9,000)
Total Other Financing Receipts/(Disbursements)	(9,016)	512,904	-	503,888
Excess of cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(13,642)	32,652	-	19,010
Fund Cash Balances, January 1, 2016	<u>176,314</u>	<u>49,900</u>	<u>2,132</u>	<u>228,346</u>
Fund Cash Balances, December 31, 2016				
Restricted	-	82,552	2,132	84,684
Unassigned (Deficit)	162,672	-	-	162,672
Fund Cash Balances, December 31, 2016	<u>\$ 162,672</u>	<u>\$ 82,552</u>	<u>\$ 2,132</u>	<u>\$ 247,356</u>

See notes to financial statements.

**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, 2016**

	<u>Proprietary</u>	<u>Fiduciary</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 462,984	\$ -	\$ 462,984
Miscellaneous	-	29	29
Total Operating Cash Receipts	<u>462,984</u>	<u>29</u>	<u>463,013</u>
Operating Cash Disbursements:			
Personal Services	109,259	-	109,259
Fringe Benefits	14,734	-	14,734
Contractual Services	156,249	-	156,249
Supplies and Materials	42,863	-	42,863
Other	750	-	750
Total Operating Cash Disbursements	<u>323,855</u>	<u>-</u>	<u>323,855</u>
Operating Income/(Loss)	<u>139,129</u>	<u>29</u>	<u>139,158</u>
Non-Operating Cash Receipts:			
Debt Proceeds	304,205	-	304,205
Other Non-operating Receipts	13,693	-	13,693
Total Non-Operating Cash Receipts	<u>317,898</u>	<u>-</u>	<u>317,898</u>
Non-Operating Cash Disbursements:			
Capital Outlay	126,800	-	126,800
Principal Retirement	200,103	-	200,103
Interest and Fiscal Charges	29,610	-	29,610
Total Non-Operating Cash Disbursements	<u>356,513</u>	<u>-</u>	<u>356,513</u>
Transfers-In	9,000	-	9,000
Net Change in Fund Cash Balance	109,514	29	109,543
Fund Cash Balances, January 1, 2016	<u>216,752</u>	<u>287</u>	<u>217,039</u>
Fund Cash Balances, December 31, 2016	<u>\$ 326,266</u>	<u>\$ 316</u>	<u>\$ 326,582</u>

See notes to financial statements.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. REPORTING ENTITY

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 general government, including water and sewer utilities, street maintenance, park operations (leisure time activities) and police protection. The Village contracts with the Harrison County Sheriff's office 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

Governmental Funds

General Fund

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

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific 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 license tax money for constructing, maintaining, and repairing Village streets.

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). 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.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Enterprise Improvement Fund – This fund receives charges for service and debt proceeds to cover the cost of water and sewer improvements.

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.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

Budgetary Process

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

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.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investment as assets. This basis does not record disbursement for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Property, Plant, and Equipment

Acquisition of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Accumulated Leave

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

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:

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

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.

Committed – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless 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.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 ordinance, or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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 (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 classification could be used.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2016 is as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 265,016	\$ 249,105	\$ (15,911)
Special Revenue	782,282	691,260	(91,022)
Enterprise	1,238,961	789,882	(449,079)
Total	\$ 2,286,259	\$ 1,730,247	\$ (556,012)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 421,330	\$ 262,747	\$ 158,583
Special Revenue	825,182	658,608	166,574
Enterprise	1,423,732	680,368	743,364
Total	\$ 2,670,244	\$ 1,601,723	\$ 1,068,521

Contrary to ORC 5705.41(B), the Village's funds had expenditures greater than appropriations.

Contrary to ORC 5705.41(D), the Village made expenditures without prior certification.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

4. 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:

	2016
Demand Deposits	<u>\$ 573,938</u>
Total Deposits	<u>\$ 573,938</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institutions public entity deposit pool.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 make semiannual payment, the first half is due by 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.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.0 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.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- * Comprehensive property and general liability
- * Vehicles; and
- * Errors and omissions.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Village’s full-time employees belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant’s gross salaries. The Village has paid all contributions required through December 31, 2016.

9. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

10. DEBT

Debt outstanding at December 31, 2016 was as follows:

	2016 Principal	%
Sanitary Sewer Mortgage Revenue Bonds	\$ 177,405	2.94
Water System Improvement Bonds	382,370	5.18
ODOT SIB Loan	413,904	3.00
Ohio Public Works Commission CT61T	99,000	0.00
Ohio Water Development Authority 7152	167,300	0.00
Total	\$ 1,239,979	

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 bonds were re-financed in 2016 and will be repaid in annual instalments over a period of 10 years and paid through the Revenue Bond Sewer Fund. 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 through the Debt Service Waterline Fund over a period of 20 years. The Village has agreed to set utility rates sufficient to cover the debt service requirements. The bonds are collateralized by water surcharge revenues.

In 2015, the Village took out a loan from the Ohio Water Development Authority for I & I Reduction and WWTP Improvements. This was loan was approved for \$221,076. As of December 31, 2016, the Village has drawn \$167,300. No amortization schedule has established and is not included in the amounts below.

In 2016, the Village entered into loans with the Ohio Public Works Commission in the amount of \$99,000 and Ohio Department of Transportation in the amount of \$529,000, in which \$413,904 has been drawn in 2016 for road repairs. This will be repaid from the Street Fund.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

10. DEBT (Continued)

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

Year Ending December 31	Sanitary Sewer Bonds	Water Improvement Bonds	OPWC CT61T
2017	\$ 20,779	\$ 34,292	\$ 9,900
2018	20,779	34,940	9,900
2019	20,779	35,621	9,900
2020	20,779	36,338	9,900
2021	20,779	37,091	9,900
2022-2026	103,895	198,199	49,500
2027-2031	-	42,507	-
	<u>\$ 207,790</u>	<u>\$ 418,988</u>	<u>\$ 99,000</u>

There is no amortization schedule for the OWDA loan or the ODOT SIB loan as of December 31, 2016

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' 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 general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Hopedale, Harrison County as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated February 7, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Village of Hopedale's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions 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 first 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 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 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 2017-002 and 2017-005 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Hopedale'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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2017-001, 2017-003 and 2017-004.

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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
February 7, 2018

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Noncompliance – Certification of Funds

Ohio Revised Code Section 5705.41(D) 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.

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.

- If the fiscal officer can certify that both at the time that 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 previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 the expenditures by the Village.
- Blanket Certificates. Fiscal officers may prepare “blanket” certificates if the Village has approved their use and established maximum amounts.
- Super Blanket Certificates. 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 reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called “super blanket” certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001 (Continued)

The Village did not certify the availability of funds prior to the purchase commitment for 43% of expenditures tested. For these item the Village also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

Client Response: We have no response from the client.

FINDING NUMBER 2017-002

Material Weakness – Financial Reporting

All local offices should 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 accounts 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 transactions. Amounts were not always posted to the correct fund and/or line item. The following adjustments and reclassifications were made.

Adjustments:

- In 2016, an adjustment was made from the Debt Service Fund to the Street Fund in the amount of \$413,904, which was recorded as Debt Proceeds and Capital Outlay in the Street Fund and Debt Service Fund was reduced to no activity. Payments to contractors are not to be recorded in the Debt Service Fund.
- In 2016, adjustments were made to the Enterprise Bond Funds 5701 and 5702 in the amount of \$136,675 and \$40,825, respectively. This was done to gross up the payments on loans and loan proceeds.
- In 2017 an adjustment was made from the Debt Service Fund to the Street Fund in the amount of \$111,096 for Debt Proceeds and \$26,225 for Real Estate Taxes and an adjustment from the Debt Service Fund to the Street Fund in the amount of \$111,096 to record Capital Outlay expenditures. Also an adjustment was made in the Street Fund in the amount of \$10,516 to properly state Debt Proceeds and Capital Outlay.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-002 (Continued)

Adjustments

- In 2017, an adjustment was made in the amount of \$894,527 to record Debt Proceeds and capital Outlay in the Enterprise Improvement Fund to record the activity for the OWDA WWTP Improvement project.
- In 2017, an adjustment was made to reduce Intergovernmental Receipts in the General Fund and increase Intergovernmental Receipts in the Street Fund in the amount of \$1,802 for Rollbacks not being properly allocated.

Reclassifications:

- In 2016, a reclassification from Intergovernmental Receipts to Debt Proceeds in the amount of \$99,000 and a reclassification from Transportation to Capital Outlay in the amount of \$99,000 in the Special Revenue Grant Fund 2051.
- In 2016, a reclassification from Interest and Other Fiscal Charges to Capital Outlay in the amount of \$126,800 and a reclassification from Special Assessments to Debt Proceeds in the amount of \$126,800 in the Sewer Operating Fund.
- In 2017, there was a reclassification of \$8,438 in the General Fund from Property and Other Taxes to Intergovernmental Receipts for Rollbacks improperly posted.

The adjustments with which the Village Official's agree are reflected in 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.

Client Response: We received no response from the client.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-003

Noncompliance – Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenues available for expenditure as certified by the budget commission. In addition, no appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total estimate or amended official estimate.

		Estimated			
Fund	Year	Resources		Appropriations	Variance
Street Fund	2017	\$ 265,073		\$ 267,773	\$ (2,700)

We recommend Council review estimated resources versus appropriations throughout the year. Also, Council should not approve appropriations greater than estimated resources. This could result in the Village spending more money than it receives and could cause possible negative fund balances.

Client Response: We have not received a response from client.

FINDING NUMBER 2017-004

Noncompliance – Expenditures Exceeding Appropriations

Ohio Revised Code Section 5705.41 (B) states no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had the following funds which had expenditures greater than appropriation authority.

		Appropriation			
Fund	Year	Authority		Expenditures	Variance
Enterprise Improve.	2017	\$ 502,177		\$ 1,049,245	\$ (547,068)
Enterprise 5701	2016	50,635		143,403	(92,768)
Enterprise 5702	2016	15,452		42,751	(27,299)

We recommend Council review expenditures versus appropriation authority throughout the year. Also, Council should not approve expenditures greater than appropriations. This results in the Village spending more money than it appropriated and could cause possible negative fund balances.

Client Response: We have not received a response from the client.

**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-005

Material Weakness – Posting of Budget

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 and disbursements.

The Village does enter budgetary data for estimated receipts and expenditures. However, various amounts entered in 2017 and 2016, do not agree with the Official Certificate of Estimated Resources or approved appropriations. This can lead to decisions being made on faulty budgetary data and can lead to overspending and creating a negative fund balance if not monitored.

We recommend that the Village post the approved appropriations and official certificate of estimated resources to the UAN system around the first of each year. Then any amendments to those official documents be posted to the system upon approval. This will lead to correct budgetary information and Village decisions can be made on accurate data.

Client Response: We have not received a response from client.

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**VILLAGE OF HOPEDALE
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2015-001	Noncompliance ORC 5705.41(D) prior Certification	No	Not Corrected; Reported as Finding 2017-001
2015-002	Material Weakness Adjustment/Reclassification of receipts/disbursements	No	Not Corrected; Reported as Finding 2017-002
2015-003	ORC 5705.39 Appropriations exceeding estimated resources	No	Not Corrected; Reported as Finding 2017-003
2015-004	Material Weakness Posting of Approved Budgetary Measures	No	Not Corrected; Reported as Finding 2017-005

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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
MAY 10, 2018