



**VILLAGE OF KIPTON
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF KIPTON
LORAIN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Kipton
Lorain County
P.O. Box 177, Court Street
Kipton, Ohio 44049

To the Village Council:

We have audited the accompanying financial statements of the Village of Kipton, Lorain County, Ohio, (the Village) as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Kipton, Lorain County, Ohio, as of December 31 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 18, 2002

**VILLAGE OF KIPTON
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<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	\$12,953	\$5,146	\$0	\$18,099
Intergovernmental Receipts	30,835	8,876	121,696	161,407
Charges for Services	6,785	0	0	6,785
Fines, Licenses, and Permits	5,357	0	0	5,357
Miscellaneous	1,449	0	0	1,449
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Total Cash Receipts	57,379	14,022	121,696	193,097
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
Security of Persons and Property	5,822	3,207	0	9,029
Leisure Time Activities	3,320	0	0	3,320
Basic Utility Services	15,783	0	0	15,783
Transportation	10,503	0	0	10,503
General Government	4,337	90	0	4,427
Debt Service:				
Principal Payments	1,300	0	0	1,300
Interest Payments	1,212	0	0	1,212
Capital Outlay	18,095	12,269	121,696	152,060
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	60,372	15,566	121,696	197,634
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(2,993)	(1,544)	0	(4,537)
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Fund Cash Balances, January 1	27,589	9,375	0	36,964
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Fund Cash Balances, December 31	\$24,596	\$7,831	\$0	\$32,427
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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF KIPTON
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<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	\$12,447	\$5,344	\$0	\$17,791
Intergovernmental Receipts	24,358	18,045	47,545	89,948
Charges for Services	7,030	0	0	7,030
Fines, Licenses, and Permits	14,080	0	0	14,080
Miscellaneous	939	0	0	939
Total Cash Receipts	<u>58,854</u>	<u>23,389</u>	<u>47,545</u>	<u>129,788</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	7,247	2,853	0	10,100
Leisure Time Activities	15,491	0	0	15,491
Basic Utility Services	13,291	0	0	13,291
Transportation	4,635	3,917	0	8,552
General Government	12,107	94	0	12,201
Debt Service:				
Principal Payments	5,036	0	0	5,036
Interest Payments	1,364	0	0	1,364
Capital Outlay	11,719	8,725	47,545	67,989
Total Cash Disbursements	<u>70,890</u>	<u>15,589</u>	<u>47,545</u>	<u>134,024</u>
Total Receipts Over/(Under) Disbursements	<u>(12,036)</u>	<u>7,800</u>	<u>0</u>	<u>(4,236)</u>
Fund Cash Balances, January 1	<u>39,625</u>	<u>1,575</u>	<u>0</u>	<u>41,200</u>
Fund Cash Balances, December 31	<u>\$27,589</u>	<u>\$9,375</u>	<u>\$0</u>	<u>\$36,964</u>

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

**VILLAGE OF KIPTON
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Kipton, Lorain County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including park operation (recreation), street maintenance, and police services. The Village contracts with Camden Township to provide fire protection services. Emergency medical services are provided by the Central Lorain County Joint Ambulance District.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

VILLAGE OF KIPTON
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

Police Protection Fund - This fund receives property tax money to provide police fire protection to Township residents.

Sewer Fund - This fund receives property tax money for maintaining and repairing Village sewers.

3. Capital Project 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 project funds:

Capital Improvement Fund – This fund accounts for Issue II grants received from the State of Ohio for Village street improvement projects.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. There were no outstanding encumbrances at year end for 2000 and for 2001.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**VILLAGE OF KIPTON
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$32,427	\$36,964
Total Deposits	\$32,427	\$36,964

Deposits: Deposits are insured by the Federal Depository Insurance Corporation,

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,158	\$57,379	(\$779)
Special Revenue	20,910	14,022	(6,888)
Capital Projects	0	121,696	121,696
Total	\$79,068	\$193,097	\$114,029

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$85,746	\$60,372	\$25,374
Special Revenue	30,285	15,566	14,719
Capital Projects	121,696	121,696	0
Total	\$237,727	\$197,634	\$40,093

**VILLAGE OF KIPTON
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,534	\$58,854	\$2,320
Special Revenue	14,459	23,389	8,930
Capital Projects	0	47,545	47,545
Total	\$70,993	\$129,788	\$58,795

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$95,979	\$70,889	\$25,090
Special Revenue	16,034	15,589	445
Capital Projects	47,545	47,545	0
Total	\$159,558	\$134,023	\$25,535

Contrary to Ohio Revised Code Section 5705.09(F), the Village did not establish a fund nor did it account for Issue II Program Grants in either year under audit. Additionally, the Village did not budget for these revenues paid on behalf of the Village which is contrary to Ohio Revised Code Section 5705.39.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property with the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF KIPTON
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$16,963	5.76%

The General Obligation Bonds are real estate acquisition bonds for the purchase of a village hall and are collateralized by the Village's taxing authority.

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

	General Obligation Bonds
Year ending December 31:	
2002	2,125
2003	2,319
2004	2,319
2005	2,319
2006	2,319
2007 - 2011	10,783
Total	\$22,184

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. Employees contributing to Social Security contribute 6.2 percent of their gross salaries with the Village contributing an equal share. The Village has paid all contributions required through December 31, 2001.

All members of the Village Council participate in the Federal Income Contributions Act (Social Security) and must contribute to social security. The Townships liability is 6.2 percent of wages paid.

VILLAGE OF KIPTON
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)

7. RISK MANAGEMENT

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2000 and 1999 generally protect against individual losses over \$150,000 (\$100,000 for policies issued after March 31, 2000).

Property coverage contracts protect against losses, subject to a deductible of \$50,000 per occurrence, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained (deficit) earnings at December 31:

	<u>2000</u>	<u>1999</u>
Assets	\$2,958,827	\$4,151,450
Liabilities	<u>3,863,373</u>	<u>3,461,914</u>
Retained (deficit) earnings	<u>(\$904,546)</u>	<u>\$689,536</u>

The above information above is most current available.

8. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

Village of Kipton
Lorain County
P.O. Box 177, Court Street
Kipton, Ohio 44049

To the Village Council:

We have audited the accompanying financial statements of the Village of Kipton, Lorain County, Ohio, (the Village) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated June 18, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. . The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-40847-001. We also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 18, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 18, 2002.

Village of Kipton
Lorain County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end.

Jim Petro
Auditor of State

June 18, 2002

**VILLAGE OF KIPTON
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30847-001

Ohio Rev. Code Section 5705.09 (F) requires, in part, that a special fund be created for each class of revenues which the law requires to be used for a particular purpose. Failure to create such a fund classification also means budget requirements will not be adhered to. Ohio Rev. Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of estimated resources available for expenditure from the fund. In addition, Ohio Rev. Code Section 5705.40, requires that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

The Village participates in the Ohio Department of Transportation Issue II Program and received grants totaling \$121,696 in 2001 and \$47,545 in 2000. The Village did not create the required fund and did not budget for these amounts paid on behalf of the Village by the Ohio Department of Transportation in either year.

We recommend the Village create the appropriate fund(s) and include Issue II monies in the budget for approval by the Village Council.



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF KIPTON

LORAIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 11, 2002**