



Mary Taylor, CPA  
Auditor of State



VILLAGE OF HOPEDALE  
HARRISON COUNTY

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**Mary Taylor, CPA**  
Auditor of State

Village of Hopedale  
Harrison County  
PO Box 476  
105 East Main Street  
Hopedale, Ohio 43976-0476

To the Members of Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

March 30, 2007

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Hopedale  
Harrison County  
PO Box 476  
105 East Main Street  
Hopedale, Ohio 43976-0476

To the Members of Council:

We have audited the accompanying financial statements of Village of Hopedale, Harrison County, (the Village) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Hopedale, Harrison County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

March 30, 2007



VILLAGE OF HOPEDALE  
HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$48,222	\$4,690			\$52,912
Municipal Income Tax	101,466				101,466
Special Assessments			\$16,927		16,927
Intergovernmental Receipts	27,845	38,294			66,139
Fines, Licenses, and Permits	1,810				1,810
Earnings on Investments	1,914				1,914
Miscellaneous	18,075				18,075
Total Cash Receipts	199,332	42,984	16,927		259,243
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	26,275				26,275
Public Health Services	700				700
Basic Utility Services	4,064				4,064
Transportation	27,103	34,917			62,020
General Government	76,933				76,933
Debt Service:					
Principal Payments			9,786		9,786
Interest Payments and Other Fiscal Charges			2,121	\$600	2,721
Capital Outlay				14,011	14,011
Total Cash Disbursements	135,075	34,917	11,907	14,611	196,510
Total Receipts Over/(Under) Disbursements	64,257	8,067	5,020	(14,611)	62,733
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Bonds or Notes				14,611	14,611
Sale of Fixed Assets	4,006				4,006
Transfers-In			5,613		5,613
Transfers-Out	(25,613)				(25,613)
Total Other Financing Receipts/(Disbursements)	(21,607)		5,613	14,611	(1,383)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	42,650	8,067	10,633		61,350
Fund Cash Balances, January 1	120,796	47,445	17,971	31	186,243
<b>Fund Cash Balances, December 31</b>	<b>\$163,446</b>	<b>\$55,512</b>	<b>\$28,604</b>	<b>\$31</b>	<b>\$247,593</b>
Reserves for Encumbrances, December 31	\$3,208				\$3,208

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

VILLAGE OF HOPEDALE  
HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency		
<b>Operating Cash Receipts:</b>					
Charges for Services	\$294,652				\$294,652
Miscellaneous	698	\$5			703
Total Operating Cash Receipts	295,350	5			295,355
<b>Operating Cash Disbursements:</b>					
Personal Services	79,866				79,866
Fringe Benefits	39,274				39,274
Contractual Services	88,178				88,178
Supplies and Materials	69,669				69,669
Other	1,519				1,519
Total Operating Cash Disbursements	278,506				278,506
Operating Income/(Loss)	16,844	5			16,849
<b>Non-Operating Cash Receipts:</b>					
Earnings on Investments		1			1
Total Non-Operating Cash Receipts		1			1
<b>Non-Operating Cash Disbursements:</b>					
Redemption of Principal	17,598				17,598
Interest and Other Fiscal Charges	11,586				11,586
Total Non-Operating Cash Disbursements	29,184				29,184
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(12,340)	6			(12,334)
Transfers-In	20,000				20,000
Net Receipts Over/(Under) Disbursements	7,660	6			7,666
Fund Cash Balances, January 1	127,739	213	\$260		128,212
<b>Fund Cash Balances, December 31</b>	<b>\$135,399</b>	<b>\$219</b>	<b>\$260</b>		<b>\$135,878</b>
Reserve for Encumbrances, December 31	\$48				\$48

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

VILLAGE OF HOPEDALE  
HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$31,960	\$7,698			\$39,658
Municipal Income Tax	91,742				91,742
Special Assessments			\$17,101		17,101
Intergovernmental Receipts	60,643	32,851		\$102,468	195,962
Fines, Licenses, and Permits	4,595				4,595
Earnings on Investments	1,304	9			1,313
Miscellaneous	1,839				1,839
<b>Total Cash Receipts</b>	<b>192,083</b>	<b>40,558</b>	<b>17,101</b>	<b>102,468</b>	<b>352,210</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	23,961				23,961
Leisure Time Activities	6				6
Basic Utility Services	3,341				3,341
Transportation	49,899	33,571			83,470
General Government	68,914				68,914
Debt Service:					
Principal Payments			17,282		17,282
Interest Payments and Other Fiscal Charges			2,731		2,731
Capital Outlay	33,341			132,560	165,901
<b>Total Cash Disbursements</b>	<b>179,462</b>	<b>33,571</b>	<b>20,013</b>	<b>132,560</b>	<b>365,606</b>
Total Receipts Over/(Under) Disbursements	12,621	6,987	(2,912)	(30,092)	(13,396)
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Bonds or Notes	23,602				23,602
Sale of Fixed Assets	7,001				7,001
Transfers-In				30,092	30,092
Transfers-Out	(30,092)				(30,092)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>511</b>			<b>30,092</b>	<b>30,603</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	13,132	6,987	(2,912)		17,207
Fund Cash Balances, January 1	107,664	40,458	20,883	31	169,036
<b>Fund Cash Balances, December 31</b>	<b>\$120,796</b>	<b>\$47,445</b>	<b>\$17,971</b>	<b>\$31</b>	<b>\$186,243</b>
Reserves for Encumbrances, December 31	\$1,907	\$576			\$2,483

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

VILLAGE OF HOPEDALE  
HARRISON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	Agency	
<b>Operating Cash Receipts:</b>					
Charges for Services	\$272,890				\$272,890
Miscellaneous	1,316	\$2			1,318
Total Operating Cash Receipts	274,206	2			274,208
<b>Operating Cash Disbursements:</b>					
Personal Services	84,042				84,042
Fringe Benefits	31,997				31,997
Contractual Services	13,343				13,343
Supplies and Materials	145,222				145,222
Other	2,384	38			2,422
Total Operating Cash Disbursements	276,988	38			277,026
Operating Income/(Loss)	(2,782)	(36)			(2,818)
<b>Non-Operating Cash Receipts:</b>					
Intergovernmental Receipts	4,445				4,445
Total Non-Operating Cash Receipts	4,445				4,445
<b>Non-Operating Cash Disbursements:</b>					
Redemption of Principal	2,500				2,500
Interest and Other Fiscal Charges	10,545				10,545
Total Non-Operating Cash Disbursements	13,045				13,045
Net Receipts Over/(Under) Disbursements	(11,382)	(36)			(11,418)
Fund Cash Balances, January 1	139,121	249	\$260		139,630
<b>Fund Cash Balances, December 31</b>	<b>\$127,739</b>	<b>\$213</b>	<b>\$260</b>		<b>\$128,212</b>
Reserve for Encumbrances, December 31	\$787				\$787

*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, 2005 AND 2004**

**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 elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with the Hopedale Volunteer Fire Department to receive fire protection services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

**3. Debt Service Funds**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

**VILLAGE OF HOPEDALE  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*OWDA Debt Service Fund* – This fund receives special assessment receipts to pay note indebtedness.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

*OWDA Waterline Improvement Project Fund* -This fund received intergovernmental receipts to replace waterlines within the Village.

**5. 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.

**6. Fiduciary Funds (Trust and Agency Funds)**

These funds account for resources restricted by legally binding trust agreements and funds for which the Village is acting in an agency capacity. The Village had the following significant Fiduciary Fund:

*Tri-Centennial Trust Fund* – This fund is a nonexpendable trust fund which receives interest and donations to use for the United States' Tri-Centennial Celebration.

**D. Budgetary Process**

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

**1. Appropriations**

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

VILLAGE OF HOPEDALE  
HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 also 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 in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

E. 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.

F. 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 CASH

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

	2005	2004
Demand deposits	<u>\$383,471</u>	<u>\$314,455</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF HOPEDALE  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$152,377	\$203,338	\$50,961
Special Revenue	37,396	42,984	5,588
Debt Service	0	22,540	22,540
Capital Projects	79,500	14,611	(64,889)
Enterprise	313,239	315,350	2,111
Fiduciary	0	6	6
Total	\$582,512	\$598,829	\$16,317

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$270,568	\$163,896	\$106,672
Special Revenue	88,285	34,917	53,368
Debt Service	15,312	11,907	3,405
Capital Projects	31	14,611	(14,580)
Enterprise	405,771	307,738	98,033
Fiduciary	247	0	247
Total	\$780,214	\$533,069	\$247,145

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$169,862	\$222,686	\$52,824
Special Revenue	91,900	40,558	(51,342)
Debt Service	19,200	17,101	(2,099)
Capital Projects	0	132,560	132,560
Enterprise	575,300	278,651	(296,649)
Fiduciary	0	2	2
Total	\$856,262	\$691,558	(\$164,704)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$217,442	\$211,461	\$5,981
Special Revenue	132,645	34,147	98,498
Debt Service	57,677	20,013	37,664
Capital Projects	31	132,560	(132,529)
Enterprise	696,956	290,820	406,136
Fiduciary	247	38	209
Total	\$1,104,998	\$689,039	\$415,959



**VILLAGE OF HOPEDALE  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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.

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

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

**5. DEBT**

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans # 2754/0204	\$102,051	2.00%
Sanitary Sewer System 1st Mortgage Revenue Bonds	211,200	4.875%
Water/Sewer Truck Note	1,123	2.12%
Street Truck Note	18,470	3.62%
Ohio Water Development Authority Loans # 4250	14,611	5.00%
Total	<u>\$347,455</u>	

The Ohio Water Development Authority (OWDA) loan # 2754/0204 relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. In 1987, OWDA disbursed \$376,352 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$9,893.53, including interest, over 25 years. The loans are collateralized by sewer receipts and a special tax assessment. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Sanitary Sewer System Mortgage Revenue Bonds were issued to the Village through USDA Rural Development to pay for the sanitary sewer extension project. In 2002, the bonds were issued in the amount of \$225,000 at an interest rate of 4.875%. The debt will be repaid in annual installments over 40 years. The loan is collateralized by sewer revenues.

The Water/Sewer Truck Note was issued to purchase a truck for the Village's Water and Sewer Department. The original note was issued May 29, 2003 in the amount of \$7,850 at a 2.12% interest rate. The note will be repaid in monthly payments of \$225.26 for 36 months. The note is renewed annually in the amount of the outstanding principal balance. The note is collateralized by the truck.

The Street Truck Note was issued to purchase a truck for the Village Street Department. The original note was issued on November 10, 2004 in the amount of \$23,602 at 3.62% interest and will be repaid through monthly payments for five years. The note is collateralized by the truck.

**VILLAGE OF HOPEDALE  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. DEBT (Continued)**

The Ohio Water Development Authority (OWDA) loan # 4250 relates to a waterline design project in the amount of \$79,100 at 5% interest. The OWDA disbursed \$14,611 as of December 31, 2005 in payments to the Village for this project. The loan will be repaid in a balloon payment at the completion of the project. No amortization schedule was presented for this loan since the project was not complete as of December 31, 2005. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Year ending December 31:	OWDA Loan 2754	Mortgage Revenue Bonds	Water Sewer Truck Note	Village Truck Note
2006	19,787	12,996	1,131	4,947
2007	19,787	12,964		4,789
2008	19,787	12,928		4,631
2009	19,787	13,087		6,076
2010	19,787	12,930		
Subsequent	9,894	364,090		
Total	<u>\$108,829</u>	<u>\$428,995</u>	<u>\$1,131</u>	<u>\$20,443</u>

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their gross salaries. The Village contributed an amount equaling 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

The Village maintains health insurance, dental, and vision for all full-time employees through commercial insurance companies.



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Hopedale  
Harrison County  
PO Box 476  
105 East Main Street  
Hopedale, Ohio 43976-0476

To the Members of Council:

We have audited the financial statements of the Village of Hopedale (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated March 30, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated March 30, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Village's management dated March 30, 2007, we reported other matters related to noncompliance we deemed immaterial.

Village of Hopedale  
Harrison County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
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We intend this report solely for the information and use of the audit committee, management, and Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 30, 2007

**VILLAGE OF HOPEDALE  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.41 (D)** provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal 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.

1. **Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of Council if such expenditure is otherwise valid.

2. **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.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 43% of the tested 2005 expenditures and 62% of the tested 2004 expenditures, The Village did not properly utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Clerk/Treasurer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which section Ohio Revised Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code § 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 Ohio Revised Code § 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation

#### **Officials' Response**

We did not receive a response from Officials to this finding.

**VILLAGE OF HOPEDALE  
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	Ohio Revised Code Section 5705.39 Appropriations exceeded estimated resources.	No	Cited again in the Management Letter.
2003-002	Ohio Revised Code Section 5705.41 (D) Disbursements were not properly certified.	No	Cited again as Finding Number 2005-001.







Mary Taylor, CPA  
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 7, 2007