



**Auditor of State
Betty Montgomery**

VILLAGE OF NORTH HAMPTON
CLARK COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Village of North Hampton
Clark County
P.O. Box 457
250 West Clark Street
North Hampton, Ohio 45349

To the Village Council:

We have audited the accompanying financial statements of the Village of North Hampton, (the Village) as of and for the years ended December 31, 2001 and 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 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides 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 as of December 31, 2001 and 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 January 15, 2003, 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 audit.

Village of North Hampton
Clark County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty D. Montgomery
Auditor of State

January 15, 2003

**VILLAGE OF NORTH HAMPTON
CLARK 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$20,996	\$3,111	\$24,107
Intergovernmental Receipts	15,293	7,956	23,249
Fines, Licenses, and Permits	64,737		64,737
Earnings on Investments	733	2,068	2,801
Miscellaneous	5,015	341	5,356
	<u>106,774</u>	<u>13,476</u>	<u>120,250</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	80,838		80,838
Public Health Services		3,111	3,111
Transportation		6,411	6,411
General Government	51,809		51,809
	<u>132,647</u>	<u>9,522</u>	<u>142,169</u>
Total Receipts Over/(Under) Disbursements	<u>(25,873)</u>	<u>3,954</u>	<u>(21,919)</u>
Fund Cash Balances, January 1	<u>66,794</u>	<u>69,624</u>	<u>136,418</u>
Fund Cash Balances, December 31	<u>\$40,921</u>	<u>\$69,624</u>	<u>\$114,499</u>

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

**VILLAGE OF NORTH HAMPTON
CLARK 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, 2001**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$140,310		\$140,310
Court Fines		\$83,007	83,007
Miscellaneous	3,258		3,258
Total Operating Cash Receipts	<u>143,568</u>	<u>83,007</u>	<u>226,575</u>
Operating Cash Disbursements:			
Personal Services	11,008		11,008
Distribution of Court Fines		81,948	81,948
Contractual Services	47,670		47,670
Supplies and Materials	13,755		13,755
Capital Outlay	79,323		79,323
Total Operating Cash Disbursements	<u>151,756</u>	<u>81,948</u>	<u>233,704</u>
Operating Income/(Loss)	<u>(8,188)</u>	<u>1,059</u>	<u>(7,129)</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	<u>50,477</u>		<u>50,477</u>
Total Non-Operating Cash Receipts	<u>50,477</u>		<u>50,477</u>
Non-Operating Cash Disbursements:			
Debt Service	<u>53,116</u>		<u>53,116</u>
Total Non-Operating Cash Disbursements	<u>53,116</u>		<u>53,116</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(10,827)	1,059	(9,768)
Transfers-In	15,000		15,000
Transfers-Out	<u>(15,000)</u>		<u>(15,000)</u>
Net Receipts Over/(Under) Disbursements	(10,827)	1,059	(9,768)
Fund Cash Balances, January 1	<u>112,042</u>	<u>96</u>	<u>112,138</u>
Fund Cash Balances, December 31	<u>\$101,215</u>	<u>\$1,155</u>	<u>\$102,370</u>

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

**VILLAGE OF NORTH HAMPTON
CLARK 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$20,406	\$2,926	\$23,332
Intergovernmental Receipts	13,500	6,994	20,494
Fines, Licenses, and Permits	62,037		62,037
Earnings on Investments	1,302	2,727	4,029
Miscellaneous	5,876	23	5,899
	<u>103,121</u>	<u>12,670</u>	<u>115,791</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	46,604	12,381	58,985
Public Health Services		2,926	2,926
Leisure Time Activities	2,284		2,284
Transportation		4,571	4,571
General Government	41,846		41,846
	<u>90,734</u>	<u>19,878</u>	<u>110,612</u>
Total Receipts Over/(Under) Disbursements	<u>12,387</u>	<u>(7,208)</u>	<u>5,179</u>
Fund Cash Balances, January 1	<u>54,407</u>	<u>76,832</u>	<u>131,239</u>
Fund Cash Balances, December 31	<u>\$66,794</u>	<u>\$69,624</u>	<u>\$136,418</u>

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

**VILLAGE OF NORTH HAMPTON
CLARK 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, 2000**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$132,672		\$132,672
Court Fines		\$73,060	73,060
Miscellaneous	3,176		3,176
	<u>135,848</u>	<u>73,060</u>	<u>208,908</u>
Operating Cash Disbursements:			
Personal Services	10,519		10,519
Distribution of Court Fines		72,860	72,860
Contractual Services	84,495		84,495
Supplies and Materials	24,997		24,997
Capital Outlay	87,953		87,953
	<u>207,964</u>	<u>72,860</u>	<u>280,824</u>
Operating Income/(Loss)	<u>(72,116)</u>	<u>200</u>	<u>(71,916)</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	64,587		64,587
Proceeds from Notes and Bonds	1,045,000		1,045,000
	<u>1,109,587</u>		<u>1,109,587</u>
Non-Operating Cash Disbursements:			
Debt Service	<u>1,114,461</u>		<u>1,114,461</u>
	<u>1,114,461</u>		<u>1,114,461</u>
Net Receipts Over/(Under) Disbursements	(76,990)	200	(76,790)
Fund Cash Balances, January 1	<u>189,032</u>	<u>(104)</u>	<u>188,928</u>
Fund Cash Balances, December 31	<u>\$112,042</u>	<u>\$96</u>	<u>\$112,138</u>

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

**VILLAGE OF NORTH HAMPTON
CLARK 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 North Hampton, Clark County, (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 government services, including water and sewer utilities, park operations (leisure time activities), and police 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 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 reported as assets. 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.

Certificates of deposit are valued at cost.

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 Fund:

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

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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.

4. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayor's Court Fund – This fund is utilized to account for court fines and the distribution of court fines to the appropriate jurisdiction.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level, 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.

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 Village did not use the encumbrance method of accounting.

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

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.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

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	\$88,827	\$128,581
Certificates of deposit	128,042	119,975
Total deposits	\$216,869	\$248,556

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$95,744	\$106,774	\$11,030
Special Revenue	11,210	13,476	2,266
Enterprise	124,506	209,045	84,539
Total	\$231,460	\$329,295	\$97,835

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$137,550	\$132,647	\$4,903
Special Revenue	8,400	9,522	(1,122)
Enterprise	59,600	219,872	(160,272)
Total	\$205,550	\$362,041	(\$156,491)

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

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

3. BUDGETARY ACTIVITY

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,530	\$103,121	\$20,591
Special Revenue	11,312	12,670	1,358
Enterprise	132,300	1,245,435	1,113,135
Total	<u>\$226,142</u>	<u>\$1,361,226</u>	<u>\$1,135,084</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$165,980	\$90,734	\$75,246
Special Revenue	61,191	19,878	41,313
Enterprise	245,050	1,322,425	(1,077,375)
Total	<u>\$472,221</u>	<u>\$1,433,037</u>	<u>(\$960,816)</u>

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 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.

**VILLAGE OF NORTH HAMPTON
CLARK 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
United States Dept. of Agriculture (USDA):		
Mortgage Revenue Bonds	\$1,045,000	5.125%
Total	\$1,045,000	

The USDA loan relates to the construction and installation of a municipal sewer system. The loan will be repaid in annual payments through 2040. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates to sufficient to cover USDA debt service requirements.

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

	Mortgage Revenue Bonds
Year ending December 31:	
2002	\$53,556
2003	63,556
2004	63,044
2005	62,531
2006	63,019
2007-2011	314,971
2012-2016	314,829
2017-2021	314,613
2022-2026	314,836
2027-2031	314,501
2032-2036	314,455
2037-2040	252,264
Total	\$2,446,175

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide 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, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. 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.

**VILLAGE OF NORTH HAMPTON
CLARK 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 for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2001 and 2000 generally protect against individual losses exceeding \$100,000 (\$150,000 for policies issued prior to April 1, 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 financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Assets	\$3,354,251	\$2,958,827
Liabilities	<u>(4,851,866)</u>	<u>(3,863,373)</u>
Retained deficit	<u>(\$1,497,615)</u>	<u>(\$904,546)</u>

8. NONCOMPLIANCE

The Village did not comply with requirements regarding rates charges to customers for sewer services, maintenance of accurate financial records, posting revenue to special funds, allocation of Gas Tax revenue to proper funds, maintenance of complete mayor's Court records, certification of funds prior obligation of the Village, timely adoption and submission of the tax budget, certification of tax rates, limiting appropriations to estimated revenue, certification of amounts available for expenditures from each fund, limiting expenditures to amounts appropriated, and proper approval of transfers. Additionally, the Village did not comply with requirements concerning preservation of public records, compensation of elected officials, filing of annual financial reports, notice of public meetings, filing of reports to a retirement system, assessment of late fees on delinquent accounts, and proper approval of advances.



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

Village of North Hampton
Clark County
P.O. Box 457
250 West Clark Street
North Hampton, Ohio 45349

To the Village Council:

We have audited the accompanying financial statements of the Village of North Hampton, (the Village) as of and for the years ended December 31, 2001 and 2002, and have issued our report thereon dated January 15, 2003. 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 *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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30312-001 through 2001-30312-019. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated January 15, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-30312-020 through 2001-30312-024.

**Internal Control Over Financial Reporting
(Continued)**

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2001-30312-020 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reporting to the management of the Village in a separate letter dated January, 15, 2003.

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



Betty D. Montgomery
Auditor of State

January 15, 2003

VILLAGE OF NORTH HAMPTON
CLARK 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 2001-30312-001

FINDING FOR RECOVERY FOR AMOUNTS DUE BUT UNCOLLECTED

Village Ordinance 99-4 sets forth the rate to be charged Single Family Residential sewer customers at \$45 per month and Commercial/ Industrial sewer customers at \$60 per month. January through September, 2000, the Village charged Single Family Residential rates to its 11 Commercial/ Industrial customers, resulting in lost revenue to the Village of \$1,485.

In accordance with the foregoing facts, and according to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money due but uncollected is hereby issued against Jean Harrod, Village Clerk, and her bonding company, Hartford Insurance Company, jointly and severally, in the amount of one thousand, four hundred eight-five dollars (\$1,485), and the following entities, as listed below, and in favor of the Village Sewer Fund. On February 11, 2003, the Village Council passed Resolution #03-03 which stated, "Whereas, the Council of the Village of North Hampton, hereby wishes to excuse the businesses for the debt incurred by the failure of the Village to charge the proper fee for sewer for a period of nine months to these customers".

Beach Manufacturing	\$ 135.00
Hampton Press	135.00
Lions Club	135.00
North Hampton Methodist Church	135.00
Pencil's Garage	135.00
North Hampton Family Care	135.00
Craft Interiors	135.00
Nancy Thomas	405.00
North Hampton United Church of Christ	<u>135.00</u>
Total	<u>\$1,485.00</u>

The Village should institute procedures to provide that all Village Ordinances are complied with, and develop policies and procedures to provide that all monies owed the Village for its continued operation are billed and collected. Additionally, the billings and collections of fees should be periodically reviewed by someone independent of the billing/collection process.

FINDING NUMBER 2001-30312-002

Ohio Rev. Code Section 733.28 requires the Clerk to exhibit accurate statements for the financial records of the Village. The following weaknesses were noted relative to the Village records and contributed to the inaccurate and incomplete financial statements:

- The Village failed to reconcile the records to the bank statement on a regular basis.
- The cashbook and ledgers were not totaled accurately.

Errors in accounting for the financial transactions by the Clerk resulted in the preparation of inaccurate financial statements that did not properly reflect the Village's financial activity or status and significantly increased audit costs. Failure to properly post activity to the ledgers and present accurate financial statements could result in the inability of statement users or management to make informed decisions. The Village should develop and implement internal control procedures to provide for accurate reporting of financial activity. This should include routine review of all financial records by someone other than the Clerk. Each month, the Village should reconcile amounts posted to the receipts ledger and the appropriation ledger to the totals indicated in the cashbook.

FINDING NUMBER 2001-30312-003

Ohio Rev. Code Section 5705.10 requires that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made. Additionally, **Ohio Rev. Code Section 5705.09** requires that each subdivision establish a special fund for each special levy.

The Village has authorized a Permissive Motor Vehicle Tax to be assessed. The Village erroneously posted \$807 to the Street Construction Fund and \$6 to the State Highway Fund during 2000, and \$657 to the Street Construction and \$9 to the State Highway Fund during 2001. The revenue received from the State for this levy should be credited to a separate fund for Permissive Motor Vehicle License. The Village has made the adjustment and the adjustment is reflected in the financial statements.

FINDING NUMBER 2001-30312-004

Ohio Rev. Code Section 5735.28 requires that Gasoline Tax received from the State be divided as follows: 92.5% to the Street Fund and 7.5% to the State Highway Fund.

The Village did not consistently distribute these funds. In 2000, the Village posted \$183 to the General Fund instead of to the Street Construction and State Highway Fund. Also, in 2001 the Street Construction Fund was under posted by \$383 and the State Highway Fund was over posted for this revenue by \$521. The Village has made the adjustment and the adjustment is reflected in the financial statements. The Village should review this requirement and post future distributions in accordance with the above mentioned section of the Revised Code. This will provide the Village with improved information for financial decision making.

FINDING NUMBER 2001-30312-005

Ohio Rev. Code Section 2335.25 requires that the Clerk of Courts maintain a journal or cashbook. The cashbook should reflect payment of all fines, fees, and forfeitures; all disbursements to the appropriate agencies; as well as, an accurate running balance.

The Mayor's Court's cashbook activity was incomplete and did not reflect running balances. Additionally, receipts and disbursements not posted resulted in an overstated balance in the Court's cashbook of \$545. Failure to maintain the Court's cashbook, in a timely and accurate manner, could result in errors in the docket and to the defendants' records.

FINDING NUMBER 2001-30312-006

Ohio Rev. Code section 5705.41(D), provides that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in process of collection to the credit of a fund free from any previous encumbrances.

The following exception to this basic requirement is provided by the statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days there is no legal liability on the part of the subdivision of taxing district. Also, amounts of less than \$100 for counties, or less than \$1,000 for political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of "then and now" certificate, provided the certificate is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Village did not certify the availability of funds for any purchases for the fiscal years ended December 31, 2001 and 2000.

Procedures should be developed and implemented to provide for the timely certification of the availability of appropriations prior to the obligation of funds.

FINDING NUMBER 2001-30312-007

Ohio Rev. Code Section 5705.28 states that, “on or before July 15 in each year, the taxing authority of each subdivision or other taxing unit is required to adopt a tax budget for the next succeeding fiscal year.”

The Village’s tax budget for fiscal year 2001 was date stamped by the County Auditor on August 30, 2000, and the minutes did not reflect adoption by the Village Council. Procedures should be developed and implemented to provide for timely adoption and submission of the tax budget.

FINDING NUMBER 2001-30312-008

Ohio Rev. Code Section 5705.34 states that, “each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each authority is to certify the levies to the county auditor before October 1st, unless a later date is approved by the tax commissioner.”

The Village Council failed to certify the necessary tax rates/levies to the county auditor. Also, the minutes did not reflect the necessary resolution or ordinance. Procedures should be developed and implemented to provide for timely certification and submission of the tax rates.

FINDING NUMBER 2001-30312-009

Ohio Rev. Code Section 5705.39 requires that the total appropriation from each fund should not exceed the total estimated revenue. 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 official estimate or amended official certificate. The following Village funds had appropriations which exceeded the total estimated revenues:

<u>Fiscal Year 2000</u>	<u>Appropriation</u>	<u>Estimated Revenues</u>	<u>Variance</u>
General Fund	\$165,980	\$135,423	\$(30,557)
State Highway Fund	\$ 18,400	\$ 13,558	\$(4,842)
COPS Fast Grant Fund	\$ 12,345	\$ 7,123	\$(5,222)
COPS Universal Fund	\$ 8,946	\$ 5,221	\$(3,725)

Procedures should be implemented to routinely compare this activity and make any necessary amendments to reduce the possibility of overspending Village resources.

FINDING NUMBER 2001-30312-010

Ohio Rev. Code Section 5705.36 states that, “on or about the first day of each fiscal year, the fiscal officer of a subdivision and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year”.

The Village Clerk failed to certify the total amount from all sources and the unencumbered amount from each fund for fiscal year 2000 to the county auditor until March 21, 2000, and did not certify the amount for fiscal year 2001. The Village Clerk should implement procedures for the timely filing of all required budgetary documents.

FINDING NUMBER 2001-30312-011

Ohio Rev. Code Section 5705.41(B) states that, “no subdivision or taxing unit is to expend money unless it has been appropriated”.

The following Village funds had expenditures which exceeded appropriations:

For Fiscal Year 2001:	Appropriations	Expenditures	Variance
Street Repair and Maintenance Fund	\$ 4,900	\$ 6,411	\$ (1,511)
Water Fund	\$ 43,000	\$105,914	\$(62,914)
Sewer Fund	\$ 16,600	\$113,958	\$(97,358)
For Fiscal Year 2000:			
Sewer Fund	\$191,020	\$1,164,539	\$(973,519)

Procedures should be implemented to routinely compare this activity and make any necessary amendments to reduce the possibility of overspending Village resources.

FINDING NUMBER 2001-30312-012

Ohio Rev Code Sections 5705.14 through 5705.16 set forth specific guidelines for the transfers of money from one fund of a subdivision to any other fund. Transfers of money from one fund, other than the general fund to another fund that do not meet the exceptions of the above sections require a court order, in addition to resolution of approval by the governing Board. The Village Clerk made a \$15,000 transfer from the Sewer Fund to the Water Fund during 2001 without an approved resolution and court order. The Village subsequently transferred \$15,000 in Certificates of Deposit from the sewer fund to the water to correct this. The Village should review the above sections of code and implement procedures to provide that all transfers are approved as required.

FINDING NUMBER 2001-30312-013

Ohio Revised Code Section 149.351 (A), states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully.

The Village failed to maintain all supporting documentation for disbursements. Forty-one percent (41%) of the vouchers tested, comprising \$200,651 in expenditures, lacked supporting invoices. Failure to maintain complete documentation for expenditures could result in the inability to defend against possible disputed amounts, cause potential problems for future management decisions, and allow for misappropriation of assets.

The Village should adopt and implement a policy for the preservation of records.

FINDING NUMBER 2001-30312-014

Ohio Rev. Code Section 731.12, states that each member of the legislative authority of a Village shall have resided in the Village one year immediately preceding the member's election, and shall be an elector of the Village. No member of the legislative authority shall hold any other public office, be interested in any contract with the Village, or hold employment with said Village, except that such member may be a notary public, a member of the state militia, or a volunteer fireman of said Village, provided that such member shall not receive any compensation for his services as a volunteer fireman of the Village in addition to his regular compensation as a member of the legislative authority. Any member who ceases to possess any of such qualifications or who removes from the Village shall forfeit the member's office.

Village Council member Harry Massie was compensated for duties he performed as Street Commissioner, totaling \$3,298, and Council member Joan Wildman was compensated for her duties as the Mayor's Court Clerk, totaling \$1,100, in addition to their salaries as Council members. Additionally, Mr. Massie personally benefited from the sale of an air conditioner to the Village, as well as, the purchase of a new rifle from the Village Police Department. The Village should review all activity of elected officials and enact procedures to reduce the potential for improper transactions.

FINDING NUMBER 2001-30312-015

Ohio Rev. Code Section 117.38, states that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. GAAP-basis entities must file annual reports within 150 days. These reports must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report on the form utilized by the public office. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains un-filed, not to exceed seven hundred fifty dollars.

The report shall contain the amount of: 1) receipts, and amounts due from each source; 2) expenditures for each purpose; 3) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and 4) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer. The Auditor of State may provide waivers of these dates and penalties in certain circumstances. The report for 2000 was filed on March 21, 2001 and the 2001 report was not filed until October 11, 2002.

The Village failed to file its financial reports with the Auditor of State's office within the stipulated 60 day period. Additionally, the Village did not publish notice as required that the financial reports were available for public inspection. The Village should develop and implement procedures to provide that all reports are filed and published in a timely manner.

FINDING NUMBER 2001-30312-016

Ohio Rev. Code Section 121.22 requires that all meetings of any public body are declared to be public meetings open to the public at all times. Additionally, every public body shall, by rule, establish a reasonable method whereby any person may determine the time and place of all regularly scheduled meetings.

The Village did not routinely notify the general public by posting notice of Village meetings. The Village should establish and implement a method of notifying the general public of Village meetings.

FINDING NUMBER 2001-30312-017

Ohio Rev. Code Section 145.47 states that the fiscal officer of each local authority subject to this chapter shall transmit promptly to the secretary of the public employees retirement board a report of contributions at such intervals and in such form as the board shall require, showing thereon all deductions for public employment retirement system made from earnable salary of each contributor employed, together with warrants or check covering the total of such deductions.

During 2000 and 2001, the Ohio Police and Fire Pension Fund (PFPF) assessed \$271 in fines to the Village for filing its reports late, or in the incorrect format, and late payment of penalties on 17 different occasions. Additionally, during the same time period, the Village was assessed \$108,100 (\$100 per day) in fines for its failure to file pre-employment physical reports for the police officers. This fine was reduced to \$10,810 after the Village qualified for a 90% amnesty. These types of expenditures hamper the Village's ability to provide useful services to its taxpayers.

To prevent further burden on the Village resources, the Village should develop policies and procedures that provide for all reports to be filed timely and correctly. Further, the Village should take steps necessary to provide that requirements of all taxing authorities and retirement systems be met.

FINDING NUMBER 2001-30312-018

Village Ordinance #01-03 Section II states any rents not received by the tenth day of each month shall be considered delinquent and subject to a 5% penalty on the outstanding balance. Tests of charges for services indicated that the Village did not follow the ordinance. The Village did not assess late fees until the end of the month and in some cases late fees were never assessed. Delinquent balances were frequently not carried forward from month to month.

Nineteen of sixty-four or (30%) of the sewer customer account balances, and twenty-one of sixty-four or (33%) of the water customer account balances recomputed were inaccurately reflected in the subsidiary ledgers. Twenty-seven (27) customer balances tested were understated and thirteen (13) customer balances were overstated.

The Village should institute procedures to compute and assess penalties in a consistent and timely manner; to accurately post amounts billed and collected; and to provide that the subsidiary ledgers reflect complete and accurate customer balances to provide that the Village receives all monies due for its continued operation.

FINDING NUMBER 2001-30312-019

Advances

The Village Council approved resolution number 01-03 pertaining to a loan from the general fund to the water fund, however no amount was specified. Upon review of the cash journal, the amount loaned to the water fund was \$10,000. **Auditor of State Bulletin 97-003** specifies that advances must be approved by a formal resolution of the taxing authority of the subdivision and must include:

- a specific statement that the transaction is an advance of cash, and
- an indication of the money (fund) from which it is expected that repayment will be made.

Also, any advance must be clearly labeled as such, and must be distinguished from transfers. The accompanying financial statements have been adjusted to remove this activity.

The Village should implement procedures to provide that all advances are properly approved and adequate detail is noted.

FINDING NUMBER 2001-30312-020

Budgetary Procedures

The review and test of budgetary activities of the Village noted no indication that the Council reviewed the budgetary versus actual activities of the Village, which could lead to overspending of Village resources, noncompliance with various sections of law, and inadequate information for financial decision making purposes.

The Village Council should monitor all budgetary actions to provide for timely and accurate adoptions and filings of required documents. Also, the Council should monitor budgetary activity of the Village and compare to actual activity to provide that all budgetary constraints are met or that necessary amendments are adopted.

FINDING NUMBER 2001-30312-021

Cash Reconciliations – Mayor’s Court

The Mayor’s Court Clerk did not perform monthly bank reconciliations after March 2000.

The Mayor’s Court Clerk should prepare timely and accurate reconciliations to provide management with accurate reconciled balances. Lack of timely and accurate information impedes Council’s ability to make proper decisions regarding Village activities and could lead to errors or the misappropriation of public funds. To improve segregation of duties over the reconciliation process, personnel separate from financial recording should periodically prepare the monthly reconciliation or perform detailed reviews periodically.

FINDING NUMBER 2001-30312-022

Expenditures

The Village consistently carried an outstanding balance due for utility bills and was routinely assessed late fees. Failure to pay bills in a timely manner is costly to the Village and does not represent an effective use of resources. Additionally, although the Village had pre-numbered checks, the checks were not issued sequentially. To provide accurate cutoff and completeness of financial statement account balances and aid in the reconciliation process, checks should be issued in sequential order and all obligations should be paid timely to prevent the payment of late fees.

FINDING NUMBER 2001-30312-023

Investments and Interest Revenue:

The Village purchased Certificates of Deposits totaling \$80,000 which were reflected as expenditures and decreases of fund balance, resulting in the overstatement of expenditures and understatement of the fund balance. The purchase or redemption of Certificates of Deposit or any investment should be reflected by memo entry only and has no effect on the fund cash balance. Additionally, the Village failed to post interest earned on some of the Certificates of Deposit. Interest has been rolled into the principal from the original purchase dates, as early as 1981, without any interest revenue posted to the Village books.

The Village should post the interest earned as revenue for each Certificate upon maturity, with corresponding memo entries made for the increase in the principal. Posting of interest in an accurate and timely manner will aid in the cash reconciliation process and provide an accurate cash balance for use in financial decision making. The Village should refer to Auditor of State Bulletin 97-002.

FINDING NUMBER 2001-30312-024

UAN System

The Village contracted for use of the Uniform Accounting Network (UAN) System for processing all financial transactions and preparation of financial reports and paid a quarterly fee for use of the system. The Village was billed \$132 a quarter since the beginning of fiscal year 2001, totaling \$528 for fiscal year 2001. However, the Village Clerk did not use the system, and transactions were manually posted throughout the period, which was an ineffective use of Village resources.

The Village should review all uses of its resources to determine the effectiveness to improve its operations and implement the use of the UAN system to improve its financial recording and reporting.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30312-001	O.R.C. §117.38 – Filing of Annual Report and O.R.C §733.28 – Accurate Financial Statements	No	Not Corrected, repeated as findings 2001-30312-002 and 015
1999-30312-002	O.A.C. §117-5-11 Proper maintenance of Appropriation Ledger	No	O.A.C. section of law has been eliminated. However, similar finding issued as finding 2001-30312-002
1999-30312-003	O.A.C. §117-5-10 Proper maintenance of Revenue Ledger	No	O.A.C. section of law has been eliminated. However, similar finding issued as finding 2001-30312-002
1999-30312-004	Failure to meet debt covenant on Huntington Bank Mortgage.	Yes	
1999-30313-005	O.R.C. §5705.10 Special fund for each special levy	No	Not Corrected, repeated as finding 2001-30312-003
1999-30312-006	O.A.C. §117-5-10 Posting to proper fund	No	O.A.C. section of law has been eliminated. However, similar finding issued as finding 2001-30312-002 and 010
1999-30312-007	O.R.C. §5735.28 Division of Gas Tax	No	Not Corrected, repeated as finding 2001-30312-004
1999-30312-008	OMB Circular A-133, Subpart B – Requirement to have single audit	N/A	Village was not subject to OMB Circular A-133 single audit requirements for the years ended 2001 and 2000



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VILLAGE OF NORTH HAMPTON

CLARK 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
MARCH 4, 2003**