

**Village of North Hampton
Financial Statements
December 31, 2009 and 2008**

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Mary Taylor, CPA
Auditor of State

Honorable Mayor and Village Council
Village of North Hampton
250 West Clark Street
P. O. Box 457
North Hampton, Ohio 45349

We have reviewed the *Independent Auditors' Report* of the Village of North Hampton, Clark County, prepared by Taylor, Applegate, Hughes & Associates, Ltd., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 5, 2010

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Village of North Hampton
Financial Statements
December 31, 2009 and 2008

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Taylor Applegate Hughes

AND ASSOCIATES, LTD

CERTIFIED PUBLIC
ACCOUNTANTS +
BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

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

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of North Hampton, Clark County, Ohio, (the Village), as of and for the years ended December 31, 2009 and 2008. 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 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 year ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. While the Village does not follow GAAP, generally accepted auditing standards require 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, governmental units to reformat their statements. The Village has elected not to reformat its statements. Since the 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.

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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 matters discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2009 and 2008 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, 2009 and 2008, or their changes in financial position or cash flows of its proprietary funds 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, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 11 to the financial statements, the Village has reported a December 31, 2008 General Fund cash deficit of \$20,489 and a December 31, 2009 General Fund cash deficit of \$26,867. Management's actions are also described in Note 11.

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, 2009 and 2008. 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 a report dated June 14, 2010 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, Ltd.
June 14, 2010

**NORTH HAMPTON VILLAGE
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, 2009**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$34,286.29	\$0.00	\$34,286.29
Intergovernmental	5,870.21	25,012.83	30,883.04
Fines, Licenses and Permits	199,679.79	0.00	199,679.79
Earnings on Investments	64.15	345.67	409.82
Miscellaneous	17,747.28	257.75	18,005.03
Total Cash Receipts	257,647.72	25,616.25	283,263.97
Cash Disbursements:			
Current:			
Security of Persons & Property	161,174.79	0.00	161,174.79
Leisure Time Activities	4,835.53	0.00	4,835.53
Transportation	0.00	27,210.59	27,210.59
General Government	89,676.48	0.00	89,676.48
Debt Service:			
Principal Payment	8,094.50	0.00	8,094.50
Interest and Fiscal Charges	455.48	0.00	455.48
Total Cash Disbursements	264,236.78	27,210.59	291,447.37
Total Receipts Over/(Under) Disbursements	(6,589.06)	(1,594.34)	(8,183.40)
Other Financing Receipts/(Disbursements):			
Other Financing Sources	0.00	0.00	0.00
Other Financing Uses	(334.88)	0.00	(334.88)
Total Other Financing Receipts/(Disbursements)	(334.88)	0.00	(334.88)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(6,923.94)	(1,594.34)	(8,518.28)
Fund Cash Balance, January 1	(19,943.03)	68,047.31	48,104.28
Fund Cash Balance, December 31	\$ (26,866.97)	\$ 66,452.97	\$ 39,586.00
Reserve for Encumbrances, December 31	\$ 5,312.82	\$ 783.82	\$ 6,096.64

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

**NORTH HAMPTON VILLAGE
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$370,453.87	\$0.00	\$370,453.87
Fines, Licenses and Permits	0.00	0.00	0.00
Miscellaneous	0.00	0.00	0.00
Total Operating Cash Receipts	<u>370,453.87</u>	<u>0.00</u>	<u>370,453.87</u>
Operating Cash Disbursements:			
Current:			
Personal Services	13,024.41	0.00	13,024.41
Employee Fringe Benefits	2,883.70	0.00	2,883.70
Contractual Services	234,860.43	0.00	234,860.43
Supplies and Materials	12,954.11	0.00	12,954.11
Other	0.00	0.00	0.00
Total Operating Cash Disbursements	<u>263,722.65</u>	<u>0.00</u>	<u>263,722.65</u>
Operating Income/(Loss)	<u>106,731.22</u>	<u>0.00</u>	<u>106,731.22</u>
Non-Operating Receipts/Disbursements			
Capital Outlay	(120,516.39)	0.00	(120,516.39)
Redemption of Principal	(107,710.83)	0.00	(107,710.83)
Interest and Other Fiscal Charges	(121,927.83)	0.00	(121,927.83)
Other Non-Operating Cash Receipts	0.00	213,186.95	213,186.95
Other Non-Operating Cash Disbursements	0.00	(198,668.18)	(198,668.18)
Loan Proceeds	109,924.19	0.00	109,924.19
Other Financing Sources	0.00	0.00	0.00
Other Financing Uses	0.00	0.00	0.00
Total Non-Operating Receipts/Disbursements	<u>(240,230.86)</u>	<u>14,518.77</u>	<u>(225,712.09)</u>
Income/(Loss) Before Interfund Transfers and Advances	<u>(133,499.64)</u>	<u>14,518.77</u>	<u>(118,980.87)</u>
Capital Contributions	159,140.00	0.00	159,140.00
Fund Cash Balance, January 1	<u>121,399.53</u>	<u>5,002.50</u>	<u>126,402.03</u>
Fund Cash Balance, December 31	<u><u>147,039.89</u></u>	<u><u>19,521.27</u></u>	<u><u>166,561.16</u></u>
Reserve for Encumbrances, December 31	<u><u>1,507.14</u></u>	<u><u>-</u></u>	<u><u>1,507.14</u></u>

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

**NORTH HAMPTON VILLAGE
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, 2008**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$28,121.13	\$0.00	\$28,121.13
Intergovernmental	35,417.14	24,303.04	59,720.18
Fines, Licenses and Permits	198,267.59	0.00	198,267.59
Earnings on Investments	156.66	1,029.97	1,186.63
Miscellaneous	9,759.35	2,343.39	12,102.74
	<u>271,721.87</u>	<u>27,676.40</u>	<u>299,398.27</u>
Total Cash Receipts			
	<u>271,721.87</u>	<u>27,676.40</u>	<u>299,398.27</u>
Cash Disbursements:			
Current:			
Security of Persons & Property	168,621.11	0.00	168,621.11
Leisure Time Activities	3,098.34	0.00	3,098.34
Transportation	0.00	20,095.92	20,095.92
General Government	85,061.37	0.00	85,061.37
Debt Service:			
Principal Payment	22,055.50	0.00	22,055.50
Interest and Fiscal Charges	2,281.24	0.00	2,281.24
	<u>281,117.56</u>	<u>20,095.92</u>	<u>301,213.48</u>
Total Cash Disbursements			
	<u>281,117.56</u>	<u>20,095.92</u>	<u>301,213.48</u>
Total Receipts Over/(Under) Disbursements	<u>(9,395.69)</u>	<u>7,580.48</u>	<u>(1,815.21)</u>
Other Financing Receipts/(Disbursements):			
Other Financing Sources	0.00	0.00	0.00
Other Financing Uses	0.00	0.00	0.00
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Other Financing Receipts/(Disbursements)			
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	<u>(9,395.69)</u>	<u>7,580.48</u>	<u>(1,815.21)</u>
Fund Cash Balance, January 1	<u>(11,093.17)</u>	<u>60,466.83</u>	<u>49,373.66</u>
Fund Cash Balance, December 31	<u>\$ (20,488.86)</u>	<u>\$ 68,047.31</u>	<u>\$ 47,558.45</u>
Reserve for Encumbrances, December 31	<u>\$ 11,401.24</u>	<u>\$ 1,010.77</u>	<u>\$ 12,412.01</u>

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

**NORTH HAMPTON VILLAGE
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$391,747.12	\$0.00	\$391,747.12
Fines, Licenses and Permits	0.00	0.00	0.00
Miscellaneous	0.00	0.00	0.00
Total Operating Cash Receipts	391,747.12	0.00	391,747.12
Operating Cash Disbursements:			
Current:			
Personal Services	12,627.62	0.00	12,627.62
Employee Fringe Benefits	2,811.42	0.00	2,811.42
Contractual Services	266,188.69	0.00	266,188.69
Supplies and Materials	13,690.33	0.00	13,690.33
Other	1,125.80	0.00	1,125.80
Total Operating Cash Disbursements	296,443.86	0.00	296,443.86
Operating Income/(Loss)	95,303.26	0.00	95,303.26
Non-Operating Receipts/Disbursements			
Capital Outlay	(743,381.43)	0.00	(743,381.43)
Redemption of Principal	(83,747.59)	0.00	(83,747.59)
Interest and Other Fiscal Charges	(112,152.08)	0.00	(112,152.08)
Other Non-Operating Cash Receipts	0.00	187,545.09	187,545.09
Other Non-Operating Cash Disbursements	0.00	(197,592.59)	(197,592.59)
Proceeds from Loans	763,840.53	0.00	763,840.53
Other Financing Sources	0.00	0.00	0.00
Other Financing Uses	0.00	0.00	0.00
Total Non-Operating Receipts/Disbursements	(175,440.57)	(10,047.50)	(185,488.07)
Income/(Loss) Before Interfund Transfers and Advances	(80,137.31)	(10,047.50)	(90,184.81)
Capital Contributions	88,405.00	0.00	88,405.00
Fund Cash Balance, January 1	113,131.84	15,050.00	128,181.84
Fund Cash Balance, December 31	\$121,399.53	\$5,002.50	\$126,402.03
Reserve for Encumbrances, December 31	\$16,571.60	\$0.00	\$16,571.60

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

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

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 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 disclosures 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:

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.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds

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.

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for the state's share of the cost of constructing, widening, maintaining, and reconstructing the state highways.

Permissive Motor Vehicle License Fund - This fund receives motor vehicle license tax money which must be used for highway, roads, streets or bridges.

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 and outside contracted parties to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents and outside contracted parties to cover the cost of providing this utility.

Fiduciary Funds (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 funds:

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

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

Appropriations

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

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.

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 re-appropriated. The Village did not encumber all commitments as required by Ohio law.

A summary of 2009 and 2008 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.

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.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

2. Equity in Pooled Cash and Investments

The Village maintains a cash and investments pool used by all funds. A separate account exists for Mayor's Court activity. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2009	2008
Demand Deposits	\$ 185,096	\$ 153,212
Certificates of Deposit	<u>21,051</u>	<u>20,748</u>
Total deposits and investments	<u>\$ 206,147</u>	<u>\$ 173,960</u>

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 year ending December 31, 2009, was as follows:

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 203,258	\$ 257,648	\$ 54,390
Special Revenue	86,040	25,616	(60,424)
Enterprise	<u>962,305</u>	<u>639,518</u>	<u>(322,787)</u>
Total	<u>\$ 1,251,603</u>	<u>\$ 922,782</u>	<u>\$ (328,821)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 257,714	\$ 269,884	\$ (12,170)
Special Revenue	34,191	27,994	6,197
Enterprise	<u>659,305</u>	<u>615,385</u>	<u>43,920</u>
Total	<u>\$ 951,210</u>	<u>\$ 913,263</u>	<u>\$ 37,947</u>

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

3. Budgetary Activity (Continued)

Budgetary activity for the year ending December 31, 2008, was as follows:

2008 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 261,677	\$ 271,722	\$ 10,045
Special Revenue	60,477	27,676	(32,801)
Enterprise	<u>921,000</u>	<u>1,243,993</u>	<u>322,993</u>
Total	<u>\$ 1,243,154</u>	<u>\$ 1,543,391</u>	<u>\$ 300,237</u>

2008 Budgetary vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 260,966	\$ 292,519	\$ (31,553)
Special Revenue	28,820	21,107	7,713
Enterprise	<u>953,207</u>	<u>1,252,297</u>	<u>(299,090)</u>
Total	<u>\$ 1,242,993</u>	<u>\$ 1,565,923</u>	<u>\$ (322,930)</u>

Contrary to Ohio law, appropriations exceeded estimated resources for the General Fund for the year ended December 31, 2009.

Contrary to Ohio law, expenditures exceeded appropriations for the General and Water Operating Fund for the year ended December 31, 2008 and for the General Fund for the year ended December 31, 2009.

Contrary to Ohio law, expenditures exceeded actual revenues for the General and Enterprise Funds for the years ended December 31, 2008 and the General and Special Revenue Funds for December 31, 2009.

4. Property Tax

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the 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. The

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

4. Property Tax (Continued)

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

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.

5. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
United States Dept. of Agriculture (USDA)	\$ 967,000	5.125%
Ohio Water Development Authority Loan 3772	\$ 806,879	4.34 %
Ohio Water Development Authority Loan 4276	\$ 940,968	1.00 %
Ohio Water Development Authority Loan 4547	\$ 1,553,927	1.50 %
Ohio Water Development Authority Loan 4817	\$ 818,793	1.50 %
Security National Bank Loan 1548548	\$ 0	5.55 %
Security National Bank Loan 1548549	\$ 44,366	5.55 %

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
United States Dept. of Agriculture (USDA)	\$ 980,000	5.125%
Ohio Water Development Authority Loan 3772	\$ 817,197	4.34 %
Ohio Water Development Authority Loan 4276	\$ 971,185	1.00 %
Ohio Water Development Authority Loan 4547	\$ 1,597,337	1.50 %
Ohio Water Development Authority Loan 4817	\$ 783,276	1.50 %
Security National Bank Loan 1548548	\$ 8,095	5.55 %
Security National Bank Loan 1548549	\$ 48,400	5.55 %

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

5. Debt (Continued)

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

Year ending December 31:	<u>Mortgage Revenue Bonds</u>	<u>OWDA Loans</u>	<u>Security National Bank Loans</u>
2010	\$ 62,559	\$ 159,687	\$ 6,496
2011	62,893	159,687	6,272
2012	63,175	159,687	6,048
2013	63,406	159,687	5,824
2014	62,586	159,687	5,600
2015-2019	314,606	798,437	24,644
2020-2024	314,649	798,437	4,256
2025-2029	315,004	798,437	0
2030-2034	313,519	798,437	0
2035-2039	315,478	341,246	0
2040	<u>63,075</u>	<u>0</u>	<u>0</u>
Total	<u>\$1,950,950</u>	<u>\$4,333,429</u>	<u>\$ 59,140</u>

Prior to 2009, the Village received a loan from the United States Department of Agriculture (USDA). 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 Village paid \$12,000 and \$50,840 during 2008 for principal and interest payments and \$13,000 and \$50,225 during 2009 for principal and interest payments, respectively. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates to sufficiently cover USDA debt service requirements.

Prior to 2009, the Village was awarded a loan from The Ohio Water Development Authority (OWDA) in the amount of \$878,160. The loan was for the water treatment plant renovation and expansion project. Semi-annual principal and interest payments are \$26,313 beginning July 1, 2005 through 2035. The loan is collateralized by receipts from South Bay, LLC who pays \$25,000 less tap fees collected by the Village of North Hampton. In addition, the Village collects receipts from German Township who pays semi-annual payments of \$12,700 each. The Village paid \$16,334 and \$36,293 during 2008 for principal and interest payments and \$17,051 and \$35,576 during 2009 for principal and interest payments, respectively.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

5. Debt (Continued)

The Village was awarded a loan from the Ohio Water Development Authority (OWDA) in the amount of \$1,030,722. The loan was for sewer system construction. Semi-annual principal and interest payments are \$19,927 beginning January 1, 2007 through July 1, 2036. The loan is collateralized by receipts from contractual obligations shared by Northwestern Local Schools (semi-annual payments of \$9,225 each) and Chateau Estates Mobile Home Park (semi-annual payments of \$10,825 each). These receipts total \$40,100 annually. In addition, the Village also collects revenue from metered utilities provided to each of them. The Village paid \$29,917 and \$9,937 during 2008 for principal and interest payments and \$30,217 and \$9,637 during 2009 for principal and interest payments, respectively.

During 2006, the Village was awarded a loan from the Ohio Water Development Authority (OWDA) in the amount of \$1,618,799. The loan was for water system improvements. Semi-annual principal and interest payments are \$33,604 beginning July 1, 2008 through January 1, 2038. The loan will be collateralized by receipts from contractual obligations with Northwestern Local Schools (semi-annual payments of \$12,405 each). In addition, the Village also collects revenue from metered utilities provided to Northwestern Local Schools. The Village paid \$21,463 and \$12,141 during 2008 for principal and interest payments and \$43,409 and \$23,798 during 2009 for principal and interest payments, respectively.

During 2007, the Village was awarded a loan from the Ohio Water Development Authority (OWDA). The loan was for a waterline extension. The total amount to be financed is \$944,894. As of December 31, 2009, this amount consisted of \$801,625 in disbursed funds, \$17,169 capitalized interest and \$126,101 in undisbursed funds. Principal and interest payments are to begin July 1, 2010 through January 1, 2040. OWDA will provide an amortization schedule when the loan is fully disbursed.

The Village obtained a general obligation loan during 2006 in the amount of \$30,150 from Security National Bank for playground equipment. The Village applied for and was awarded grant money for the playground equipment for the Village Park at the beginning of 2006. The Village paid \$1,365 and \$455 for interest in 2008 and 2009, respectively. The loan was repaid in full on December 6, 2009.

The Village obtained a general obligation loan during 2006 in the amount of \$60,500 from Security National Bank for financing sewer improvements within the Village. Fixed annual principal payments of \$4,033 plus interest are due beginning August 15, 2006 through 2020. The Village paid \$4,033 and \$2,943 during 2008 for principal and interest payments and \$4,033 and 2,693 during 2009 for principal and interest payments, respectively. The Village's interest rate changed as of August 15, 2009 from 5.55% to 7.875%. The interest rate changes every three years and is subject to change again on August 15, 2012.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

6. Retirement System

The Village's Mayor, Financial Officer, Mayor's Court clerk, part-time employees, and 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 post retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The Village's council are members of Social Security.

Contribution rates are also prescribed by the Ohio Revised Code. Members contributed 10.0% of their wages to PERS for both 2008 and 2009. The Village contributed an amount equal to 14.0% for both 2008 and 2009 of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

7. Social Benefit Plan

The elected officials, with the exception of the Village Mayor and Financial Officer, contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2009 and 2008, these officials contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participant's gross salaries through December 31, 2009. The Village has outstanding contributions to Internal Revenue Service of \$1,027 as of December 31, 2009.

8. Risk Management

Risk Pool Membership

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. The Plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles. The Pool cedes certain premiums to re-insurers or excess re-insurers. The Pool is contingently liable should any re-insurer be unable to meet its reinsurance obligations.

Members may withdraw at the end of any coverage period upon sixty (60) days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

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, 2009 and 2008 (the latest information available).

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

8. Risk Management (Continued)

	<u>2009</u>	<u>2008</u>
Assets	\$1,872,058	\$ 2,298,708
Liabilities	<u>(1,251,599)</u>	<u>(1,894,122)</u>
Retained surplus	<u>\$ 620,459</u>	<u>\$ 404,586</u>

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. Outstanding Advances

Unpaid, interfund cash advances at December 31, 2009 were as follows:

<u>Fund Type/Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ -	\$ 10,000
Enterprise	<u>10,000</u>	<u>-</u>
Total-All Funds	<u>\$ 10,000</u>	<u>\$ 10,000</u>

10. Lease

The Village entered into a four year lease agreement with Ford Motor Credit Company for the acquisition of two 2006 Ford Crown Victoria police sedans with annual payments of \$10,942 beginning September 2005 through 2008. The Village made the prescribed payment as outlined during the audit period. The Village held a bargain purchase option for one dollar (\$1) that was exercised at the end of the lease period whereby the Village retained ownership of the police sedans.

The Village entered into a four year lease agreement with General Motors Acceptance Corporation (GMAC) for the acquisition of a 2006 GMC Sierra 3500 truck with monthly payments of \$781 beginning March 2006 through 2010. The Village made payments totaling \$20,309 during the audit period. The Village holds a bargain purchase option for one dollar (\$1) that may be exercised at the end of the lease period whereby the Village will retain ownership of the truck.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

10. Lease (Continued)

The following is a summary of future annual lease payments:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,543	\$ 15	\$ 1,557
2011	0	0	0
2012	0	0	0
2013	0	0	0
2014	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 1,543</u>	<u>\$ 15</u>	<u>\$ 1,557</u>

11. Deficit Fund Balances

The Village had a deficit fund balance of \$26,867 and \$20,489 in the General Fund for the years ending December 31, 2009 and 2008, respectively. The Village has taken steps to reduce spending to help reduce the deficit fund balance. The Auditor of State's Local Government Services Division monitors the Village's deficit fund balance.

12. Annexation

The Board of County Commissioners in Clark County, Ohio approved the annexation of 16.00 acres located in Pike Township, Clark County, to the Village of North Hampton on March 11, 2008. The Village passed a Resolution as of February 12, 2008 to approve the establishment of services to be furnished to the property owners of the annexed area. These services include 24-hour a day police service, water and sewer services, the Village Planning Board to handle zoning regulation concerns related to property within the annexed area, and public street repair and maintenance.

The property was subsequently re-zoned during 2008 and a new street was constructed during 2009 with 100% of the funding provided by the North Hampton Community Church.

13. Sewer Contract Services

The Village of North Hampton entered into a new sewer processing contract with the City of New Carlisle effective May 20, 2008. The Village has been in a dispute with New Carlisle regarding the increase of sewer processing rates. The Village had an outstanding balance of approximately \$50,762 as of December 17, 2007 due to New Carlisle. Under the new contract, the City of New Carlisle waived \$18,661 of accrued unpaid penalties. The new agreement is to remain in effect for forty years.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

14. Related Parties

A member of the Village Council was appointed to fill a vacancy on the Council beginning January 1, 2008. The Council member had also been appointed to fill a vacancy on the Northwestern Local School District Board in 2007 and was subsequently elected in November 2009 to serve as a board member for the Northwestern Local School District in Clark County, Ohio.

Northwestern Local School District makes semiannual payments of \$9,225 and \$12,405 to the Village of North Hampton as mentioned in Note 5 of the financial statements. In addition to these payments, Northwestern Local School District is also assessed for monthly water and sewer usage. The Village collected sewer usage revenues of \$20,316 and \$16,834 for 2008 and 2009, respectively. The Village also collected water usage revenues of \$6,807 and \$7,782 for 2008 and 2009, respectively. The member's terms on the school board and the Village Council are both set to expire December 31, 2013.

15. Fund Balances

The Fund Cash Balances at January 1, 2008 reflect a decrease of \$2,897 in the General Fund and an increase of \$121 in the Agency Fund from December 31, 2007 due to misposting of a prior period audit adjustment. The Fund Cash Balances at January 1, 2009 reflect an increase of \$546 in the General Fund from December 31, 2008 due to voiding checks prior to 2009.

16. Subsequent Events

Water/Sewer County Certification

The Village has been in a dispute before 2008 regarding amounts due for water and sewer charges with one of its residential customers. Per the Clark County Auditor's Office, the Village Fiscal Officer certified \$2,408 for 2007 that was due the Village so that the outstanding amount could be assessed and paid along with the Village resident's real estate taxes.

According to a letter dated April 23, 2008 from the Village Fiscal Officer, the resident could pay the entire amount of certified (\$2,408) and uncertified (\$2,075) delinquent utility charges totaling \$4,484 to the Village or pay the Village for their uncertified amount and then pay the county for their certified amount. The resident chose to pay the entire outstanding amount of \$4,484 to the Village Fiscal Officer in May 2008 instead of to the Clark County Treasurer.

Since the Village received their entire delinquent amount from the resident, the Village Fiscal Officer subsequently attempted to cancel the certification to the Clark County Auditor but was unsuccessful. The Clark County Prosecutor's Office concluded in their letter dated

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

14. Subsequent Events (continued)

Water/Sewer County Certification (continued)

July 7, 2008 that once the assessment had been certified to the County Auditor, the Auditor did not have the authority to remove the assessment and, in this situation, must collect it.

The resident's delinquent utility charges that had been paid in full in May 2008 to the Village Fiscal Officer were not remitted to the Clark County Treasurer's office until April 2010 when the Village sent a check to the Clark County Treasurer for \$2,970 which included an assessment fee of \$96, late fees of \$389, interest of \$77, and the certified amount of \$2,408.

Dedication of Street

As mentioned in Note 12 to the financial statements, North Hampton Community Church constructed a new street during 2009 within the Village limits known as Community Drive. The project was not finished until late Spring 2010. The Church is dedicating the street to the Village sometime during the Summer of 2010.

Independent Accountants' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards

Honorable Mayor and Village Council
Village of North Hampton
250 West Clark Street
North Hampton, Ohio 45349

To the Honorable Mayor and Village Council:

We have audited the financial statements of the Village of North Hampton, Clark County, Ohio (the Village) as of and for the years ended December 31, 2009, and December 31, 2008, and have issued our report thereon dated June 14, 2010 wherein we noted the Village of North Hampton prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Village as of and for the years ended December 31, 2009 and 2008, in accordance with auditing standards generally accepted in the United State of America, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

Internal Control Over Financial Reporting (continued)

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-02, 2009-04 through 2009-08, 2009-10, 2009-12 through 2009-13, 2009-15 through 2009-21, and 2009-25 through 2009-28 in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2009-01, 2009-03, 2009-11, 2009-14, and 2009-22 through 2009-24 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*, which are disclosed in the accompanying schedule of findings as items 2009-02 through 2009-06, 2009-08, and 2009-10 through 2009-15.

We also noted certain matters not requiring inclusion in this report that we reported to the management of the Village in a separate letter dated June 14, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and accordingly, we express no opinion on them.

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

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, Ltd.
June 14, 2010

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 and 2008**

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

FINDING NUMBER 2009 – 01

Significant Deficiency

IRS Tax Filing Requirements

Internal Revenue Code Chapter 26, U.S.C. Sections 3401 – 3406, and Publication 15 (Circular E) requires that each quarter, all employers who pay wages subject to income tax withholding or Social Security and Medicare taxes must file Form 941, Employer's Quarterly Federal Tax Return, by the last day of the month that follows the end of the quarter. For each whole or part month that a return is not filed when required, there is a penalty of 5% of the unpaid tax due with that return. Additionally, for each whole or part month that the tax due is paid late, a penalty of 5% per month of the amount of tax generally applies. In addition to any penalties, interest accrues from the due date of the tax on any unpaid balance. Publication 15 (Circular E) also requires that all employers who are monthly depositors deposit employment tax payments of the current month by the fifteenth of the following month.

- The Village filed the quarterly Form 941s on time for all quarters in 2008 and 2009; however, the deposit for January 2009 was paid thirteen days late and March 2009 deposit was one day late.

The Village should institute procedures to provide that all tax requirements are met to prevent the assessment of interest and penalties and to provide for accurate reporting for its employees and contractors.

Officials' Response: The Village has enrolled in EFTPS effective February 2010.

FINDING NUMBER 2009 – 02

Noncompliance Citation/Material Weakness

Accurate Financial Statements

Ohio Rev. Code Section 733.28 requires the Clerk to keep the books and to exhibit accurate statements of all moneys received and expended, of all property owned by the Village and income derived there from, and all taxes and assessments. The Village Fiscal Officer failed to perform monthly bank reconciliations and present them to the Village Council on a timely basis. Bank reconciliations for January through March 2008 were not done until May 28, 2008. The bank reconciliation for April 2008 was not done until June 30, 2008, June 2008 bank reconciliation was not done until August 31, 2008, July 2008 bank reconciliation was not done until September 30, 2008 and August and September 2008 bank reconciliations were not done until November 30, 2008. Bank reconciliations for 2009 appeared to be reconciled timely.

FINDING NUMBER 2009 – 02 (Continued)

The Village should implement procedures consistently to ensure that bank reconciliations are done timely.

Officials' Response: The bank reconciliations for the first half of 2008 were delayed due to UAN computer problems. Was not able to close 2007 until end of March 2008 which delayed entering data for 2008. Worked with UAN support to resolve this issue.

FINDING NUMBER 2009 – 03

Noncompliance Citation/Significant Deficiency

Certification of Tax Rates/Levies

Ohio Rev. Code Section 5705.34 requires 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. While the Village Council passed the resolution to authorize the necessary tax levies, the Certificate of Copy dated November 13, 2007 was missing the Resolution Number and there was not an official date stamp from the County Auditor's Office. While the Certificate of Copy for 2009 had the Resolution number recorded and the official date stamp from the County Auditor's Office it was dated November 11, 2008.

Procedures should be developed and implemented consistently to provide for timely certification and submission of the tax rates.

Officials' Response: No comment

FINDING NUMBER 2009 – 04

Noncompliance Citation//Material Weakness

Appropriations Not To Exceed Revenues

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 2009</u>	<u>Appropriation</u>	<u>Estimated Revenues</u>	<u>Variance</u>
General Fund	\$ 257,714	\$ 203,258	\$(54,456)

We recommend that procedures be implemented to routinely compare this activity and make any necessary amendments to reduce the possibility of overspending Village resources.

FINDING NUMBER 2009 – 04 (Continued)

Officials’ Response: We received no response.

FINDING NUMBER 2009 – 05

Noncompliance Citation//Material Weakness

Expenditures Not To Exceed Appropriations

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:

<u>Fiscal Year 2009</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	\$ 257,714	\$ 269,884	\$ (12,170)
<u>Fiscal Year 2008</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	\$ 260,966	\$ 292,319	\$ (31,553)
Water Fund	602,767	914,542	(311,775)

We recommend that procedures be implemented to routinely compare this activity and make any necessary amendments to reduce the possibility of overspending Village resources.

Officials’ Response: We received no response.

FINDING NUMBER 2009 – 06

Noncompliance Citation//Material Weakness

Ohio Rev. Code Section 5705.36(A)(4) states the upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the Budget Commission, and the Budget Commission shall certify an amended certificate reflecting the deficiency.

We noted appropriations were greater than actual resources in 2009 and 2008 as follows:

<u>Fiscal Year 2009</u>	<u>Appropriation</u>	<u>Actual Revenues</u>	<u>Variance</u>
General Fund	\$ 257,714	\$ 257,648	\$ 66
Special Revenue Fund	34,191	25,616	\$ (8,575)
Enterprise Fund	659,305	639,518	(19,787)
<u>Fiscal Year 2008</u>	<u>Appropriation</u>	<u>Actual Revenues</u>	<u>Variance</u>
Special Revenue Fund	\$ 28,820	\$ 27,676	\$ (1,144)

FINDING NUMBER 2009 – 06 (Continued)

This resulted in the Village expending monies which were not available and was due to a lack of budgetary oversight by management. See also Finding 2009-04

We recommend that the Village monitor estimated and actual revenues for all funds on a regular basis. In the situation where appropriations exceed actual resources, the Village should adjust appropriations accordingly.

Officials' Response: We received no response.

FINDING NUMBER 2009 – 07

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2009 and December 31, 2008, appropriations as approved by Village Council did not agree to the Village's ledgers or the budgetary statements for the following funds:

<u>Year</u>	<u>Fund</u>	<u>Appropriations Posted to the Accounting System</u>	<u>Appropriations Approved by Council</u>	<u>Variance</u>
2008	General	\$ 293,110	\$ 260,966	\$ (32,144)
2009	General	261,422	257,714	(3,718)
2009	State Highway	4,743	2,371	2,372
2009	Sewer Operating	332,000	323,450	(8,550)

At December 31, 2009 and December 31, 2008, estimated receipts as certified by the County Budget Commission did not agree to the Village's ledgers or the budgetary statements for the following funds:

<u>Year</u>	<u>Fund</u>	<u>Estimated Receipts Posted to the Accounting System</u>	<u>Estimated Receipts Per the Budget Commission</u>	<u>Variance</u>
2009	General	\$ 226,129	\$225,704	\$ (425)
2009	Street Const, Maint	16,300	16,000	(300)

Without information properly entered into the system Village Council has lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary statements.

We recommend that the Village fiscal officer accurately post estimated receipts as approved by the Budget Commission and appropriations as approved by Council into the computer system.

FINDING NUMBER 2009 – 07 (Continued)

This procedure will help ensure more useful comparisons of budget vs. actual activity, as well as provide management with an accurate monitoring tool through the year.

Officials' Response: We received no response.

FINDING NUMBER 2009 – 08

Noncompliance Citation/Material Weakness

Preservation of Records

Ohio Rev. 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 otherwise be removed, transferred or destroyed unlawfully.

For fiscal year 2008, 31% of the General Fund tested exhibited that the warrant date on the original warrant did not agree with the warrant date recorded in the UAN system. The same finding occurred in 17% of the Special Revenue Fund, 11% of the Sewer Fund, and 4% of the Water Fund disbursements tested. There were 12% of the disbursements tested from all funds that did not have invoice detail attached to the purchase order. There were 13% of the purchase orders tested in the General Fund that were not signed by the fiscal officer. For fiscal year 2009, there were 6% of the purchase orders tested that were not signed by Village Council.

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.

We recommend that the Village adopt and implement a policy for the preservation of records to include making sure that warrant numbers and dates are appropriately recorded in the UAN system and that appropriate documentation is attached to Purchase Orders by the Fiscal Officer before signing their approval for payment.

Officials' Response: We received no response.

**FINDING NUMBER 2009 –09
(Number not used)**

FINDING NUMBER 2009 – 10

Noncompliance Citation/Material Weakness

Budgetary Procedures

Ohio Rev. Code Section 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. For fiscal year 2009, the Village filed an amended appropriations resolution to increase appropriations but did not file an additional amendment for an increase of estimated resources to be appropriated. The Village had filed an amendment to increase estimated resources but this was not sufficient to cover the \$54,456 over appropriation of the General Fund.

This resulted in the Village expending monies which were not available and was due to a lack of budgetary oversight by management. See also Finding 2009-04

We recommend that the Village monitor estimated and actual revenues for all funds on a regular basis. In the situation where appropriations exceed actual resources, the Village should adjust appropriations accordingly.

Officials' Response: There is not a lack of budgetary oversight by management as stated in this finding. The Village clerk and council monitor estimated and actual revenues for all funds every month.

FINDING NUMBER 2009 – 11

Noncompliance Citation/Significant Deficiency

Advances

Ohio Rev. Code Section 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method if resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year. Auditor of State Bulletin 97-003 states that inter-fund cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances, on the other hand, are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment.
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established.
- The reimbursement from the debtor fund to the creditor fund must not violate any restriction on use of the money to be used to make the reimbursement, and

FINDING NUMBER 2009 – 11 (Continued)

- Advances must be approved by a formal resolution of the taxing authority of the subdivision which 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.

The 2003 audited financial statements reflected an advance of \$10,000 from the Enterprise Fund (creditor) to the General Fund (debtor). The Village passed Resolution 2007-05 indicating the intent of the Council to repay the advance of \$10,000 from the General Fund (debtor) to the Enterprise Fund (creditor) as authorized in ORC Sections 5705.14 to 5705.16. Per the Resolution, the Village was to have repaid the advance but as of December 31, 2009, there was no indication that the repayment had occurred.

If the Village wishes the advance to be converted to a transfer, then it must indicate that the \$10,000 is being transferred from the Enterprise Fund to the General Fund subject to the other requirements as outlined in ORC Sections 5705.14 to 5705.16. If the intent is to actually repay the advance, then the Village Council must specify when this action is to occur and record the repayment as outlined in the Ohio Revised Code.

Officials' Response: A resolution was passed by council to make this a permanent transaction however the wording in the actual resolution was incorrect. The resolution was stated correctly in the minutes. A corrected resolution will be submitted to council at the next meeting.

FINDING NUMBER 2009 – 12

Noncompliance Citation/Material Weakness

Deposits of Public Monies

Ohio Rev. Code Section 9.38 requires public officials to deposit all public monies received with the treasurer of the public office or properly designated depository on the next business day following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount does not exceed \$1,000, the public official shall deposit the money on the next business day following the day of receipt unless the legislative authority of the public office adopts a policy permitting a different time period. The alternate time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the monies until the time of deposit. When designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies, ensure that accounting records are properly designed, ensure adequate security of assets and records, and plan for adequate segregation of duties or compensating controls.

The Village Council passed Resolution 2007-4 to allow the Fiscal Officer and Magistrate's Court clerk three (3) business days to deposit funds; however, this Resolution was not followed by the Fiscal Officer regarding water/sewer customer payments. Deposits for the Village were made on the average of three to four times per month. Furthermore, the bank statement ending July 31, 2009 showed an overdraft balance from July 24 through July 30 of as small as \$3,761 and as

FINDING NUMBER 2009 – 12 (Continued)

much as \$6,499. Failure to deposit receipts in a timely manner increases the risk factors for misappropriation of monies and a possible lack of sufficient funds for the Village's day-to-day operations and debt obligations.

We recommend that the Fiscal Officer have all payments sent to a lock box at the Village's banking institution to ensure timely deposits and appropriate safeguarding of monies.

Officials' Response: The village clerk does not work full time hours. The clerk works for the water and sewer department one day each week. The clerk retrieves the payments from a post office box and/or locked drop box at the village office on her scheduled work day. All monies are safeguarded by the clerk in a safe until deposited. All payments are deposited timely in accordance with Resolution number 2007-04. The village has looked into sending payments to a lock box at the bank or depositing checks electronically, however the village does not have an abundance of cash that can be used for this service. Once cash flow is more stable and a reserve has been established, we may consider this option in the future.

FINDING NUMBER 2009 – 13

Noncompliance Citation/Material Weakness

Amended Appropriations

Ohio Revised Code Section 5704.40 requires that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. It appears that amended appropriation measures were passed properly for fiscal years 2008 and 2009. Appropriations for fiscal year 2009 were amended as increases rather than as decreases resulting in an over appropriation of \$54,456 in the General Fund.

This resulted in the Village appropriating and expending monies which were not available and was due to a lack of budgetary oversight by management. See also Finding 2009-10.

We recommend that the Village monitor appropriations and any additional amendments for all funds on a regular basis. In the situation where appropriations exceed estimated resources, the Village should amend appropriations accordingly.

Officials' Response: There is not a lack of budgetary oversight by management as stated in this finding. The Village clerk and council monitor estimated and actual revenues and appropriations for all funds every month. Due to an increase in costs and a reduction in tax collections, the Village experienced a shortfall during 2008 and 2009. Cost saving measures have been implemented to reduce appropriations. However these cost reductions do not happen overnight and take time to see the effect.

FINDING NUMBER 2009 – 14

Noncompliance Citation/Significant Deficiency

Design and Operation of Internal Control System

Ohio Administrative Code Section 117-2-01(A) states all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Section 117-2-01 (B) states “internal control” means a process effected by an entity’s governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the categories of reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets.

In order to facilitate efficient operation of the Village, the Council Members need to consistently and timely receive detailed financial information to review and approve on a regular basis. It appears that the Council members received detailed financial information for their review and approval for 2009 but this does not appear to be the case in 2008 as noted in Finding 2009-02. As a result, the Village’s financial position was not able to be appropriately assessed in a timely manner and some of the Council members’ decisions were made based on false assumptions. These issues have factored into the Village’s current financial situation.

We recommend the Council Members require the Fiscal Officer to provide timely financial information, in particular bank reconciliations every month, for its review.

Officials’ Response: The following UAN reports were presented to council at each monthly meeting as indicated in the meeting minutes including 2008 (Fund Summary Report, Revenue Summary, Appropriation Summary, Payment Summary, Receipt Register, Payroll Register and bank reconciliation). There was a delay in reporting the bank reconciliations during the first quarter of 2008 due to computer problems (as stated in 2009-02). Was not able to close 2007 until end of March 2008 which delayed entering data for January, February and March 2008. Worked with UAN support to resolve this issue. Once this was correct all reports and bank reconciliations were presented to council for review. Council was aware of the computer issues.

FINDING NUMBER 2009 – 15

Noncompliance Citation/Material Weakness

O.R.C. Sec. 135.12 requires a five (5) year designation of depositories for subdivisions other than counties. The Village did not appear to have adopted a formal resolution during fiscal year 2006 or any subsequent years for the designation of a depository even though they renewed their agreement timely with an appropriate financial institution. The Village also did not make an estimation of monies to be designated as interim or inactive deposits. The agreement covers active deposits up to two hundred thousand dollars (\$200,000) and total active, interim, and inactive deposits up to three hundred thousand dollars (\$300,000). On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through

FINDING NUMBER 2009 – 15 (Continued)

December 31, 2009. In the period prior to October 3, 2008, the Village surpassed the \$200,000 active deposits threshold during the months of January, March, April, June, July, August, and September. All active deposits appeared to be less than the \$250,000 FDIC deposit insurance threshold after October 3, 2008. Active deposits consisted of two checking accounts and one Certificate of Deposit.

We recommend that the Village adopt a formal resolution to designate an appropriate depository. We further recommend that the Village monitor active deposits and provide that any estimated monies surpassing their \$200,000 active deposits threshold be designated as either interim or inactive deposits by a formal resolution of the Village Council.

Officials' Response: No comment.

FINDING NUMBER 2009-16

Material Weakness

Invoicing of Capital Recovery Costs

As mentioned in Note 5, German Township is to make semi-annual payments of \$12,700 to the Village. The Village is to prepare and send the invoice. The Village did not invoice nor collect money from German Township for the first semi-annual payment of \$12,700 in 2009.

Lack of submitting invoices to those receiving utility services outside the Village may create a shortfall when debt service payments are due on the construction loans for those facilities providing the services.

Since the Village provides utility services to more than one agency outside the Village, we recommend that the Village develop a system to prepare and send invoices on a regular timetable.

Officials' Response: The village does have a system to prepare and send invoices on a regular timetable. German Township verbally requested a 6 month delay in billing for budget reasons. The village made the request to OWDA for a 6 month delay. The request was granted by the OWDA. Even though the loan that was delayed was not the loan for the water treatment plant, the village gave German Township the benefit. The Village looks at the project as a whole (contracts & revenues) from all entities (Northwestern, Chateau Estates, Springfield Meadows, Clark County, German Township and South Bay).

FINDING NUMBER 2009-17

Material Weakness

Improper Invoicing

As mentioned in Note 5, the Village provides utility services to Chateau Estates. Per the contract with Chateau Estates, they are to pay a lump sum of \$45,571 which is to be paid upon the completion of the installation of the pump station. Payment is to be made within forty five (45) days following notification to Chateau Estates by the Village that such installation is complete. The pump station is complete but there is not any indication that the Village has invoiced nor collected these monies from Chateau Estates.

The contract further indicates that Chateau Estates is to receive a credit of \$1,500 against the first ten (10) semi-annual installments required to be paid. There is not any indication on the invoices to Chateau Estates nor in the receipt amounts recorded by the Village that this credit has been given.

Lack of submitting invoices to those receiving utility services outside the Village may create a shortfall when debt service payments are due on the construction loans for those facilities providing the services.

We recommend that the Village revisit the terms of the contract with Chateau Estates and prepare invoices for the collection of the \$45,571. We also recommend that credit of \$1,500 be given to Chateau Estates for each semi-annual payment that has been submitted thus far and that this is shown as a separate line item on their next invoice.

Officials' Response: The cost of installation of the pump station was included in the OWDA loan, thus included in Chateau Estates loan payment to the village. The contract was not revised.

FINDING NUMBER 2009-18

Material Weakness

Improper Collections

As mentioned in Note 5, the Village provides utility services to Springfield Meadows. Per the contract, Springfield Meadows is to make semi-annual payments to the Village in the amount of \$6,450. According to the receipts recorded by the Village, Springfield Meadows has been making semi-annual payments of \$6,400 instead of \$6,450.

We recommend that the Village prepare an invoice for the collection of the additional amount of \$50 per semi-annual payment not paid by Springfield Meadows. We also recommend that the underpayment for each period be shown as a separate line item on their next invoice.

Officials' Response: Has already been corrected.

FINDING NUMBER 2009-19

Material Weakness

Uncollected Capital Recovery Costs

As mentioned in Note 5, the Village has a loan that is collateralized in part by receipts from South Bay, LLC. South Bay paid \$23,200 in 2008 reflecting \$25,000 less \$1,800 tap fees collected by the Village. South Bay did not pay their second semi-annual \$25,000 portion for 2008 nor did they pay their two semi-annual payments of \$25,000 each in 2009.

The Village has an option to collect the outstanding amount by certifying the amount with the Clark County Auditor. They are reluctant to do this since the member of the LLC is attempting to revise his plans for the undeveloped land and find investors. In the meantime, the Village has been responsible for South Bay's unpaid portion of the debt service loan amount.

We recommend that the Village monitor its debt service receipts frequently to ensure that there are enough funds being collected to cover South Bay, LLC's unpaid capital recovery costs. We also recommend that the Village have a plan of action decided when it becomes apparent that they cannot afford to bear the burden without some kind of remuneration from South Bay, LLC.

Officials' Response: The Village is in constant contact with its debt holders. The Village has an assessment already prepared to file on all parcels owned by South Bay located in Donnels Creek Farm sub-division that have not been sold if necessary. We monitor all funds on a regular basis. There is currently no shortage of funds in the water and sewer funds to meet its debt obligations. The Village looks at the projects as a whole from all entities (Northwestern, Chateau Estates, Springfield Meadows, Clark County, German Township and South Bay). All of these entities benefit from the new tower, the water department improvements, and the water line extension. Debt recovery on these projects comes from the loan payments and revenue collections are sufficient to cover all debt obligations and operating costs.

FINDING NUMBER 2009-20

Material Weakness

Insufficient Debt Service Costs

As mentioned in Note 5, the Village has a water improvements loan with Northwestern Local Schools that is collateralized by capital recovery costs and metered utilities receipts. The combined receipts collected from the contract payments and the metered utilities for 2008 was \$14,392 less than the \$33,604 debt service cost and was \$22,210 less than the \$67,207 debt service cost for 2009.

We recommend that the Village review its allocation between water and sewer capital recovery costs for Northwestern Local Schools as well as setting utility rates high enough so that the combination of both are sufficient to cover debt service costs.

FINDING NUMBER 2009-20 (Continued)

Officials' Response: There is currently no shortage of funds in the water and sewer funds to meet its debt obligations. The Village looks at the projects as a whole from all entities (Northwestern, Chateau Estates, Springfield Meadows, Clark County, German Township and South Bay). All of these entities benefit from the new tower, the water department improvements, and the water line extension. Debt recovery on these projects comes from the loan payments for each entity and from earned revenue. As a whole, loan payments and revenue collections are sufficient to cover all debt obligations and operating costs.

FINDING NUMBER 2009-21

Material Weakness

Grant Monies

The Village of North Hampton applied for and was awarded a Nature Works Grant in the amount of \$29,976 from the Ohio Department of Natural Resources for playground equipment for Sturgeon Park around the beginning of 2006. The Village completed the project in 2006 and requested a disbursement from the grant for the costs associated with the equipment and the costs related to its installation. The Village took out a \$30,000 loan to cover the costs until the disbursement was received. The Ohio Department of Natural Resources disbursed \$23,270. The request to disburse the remaining \$6,706 was denied due to improper documentation and untimely filing.

The inability to appropriately follow grant guidelines resulted in the Village having to pay the remaining costs from their funds.

We recommend that a grant committee be established when grant monies are received to make sure that all guidelines are followed to include proper documentation for disbursement of grant monies and timely filing of all documentation.

Officials' Response: The village did assign a project manager to this grant project (a grant committee is not feasible, due to a lack of volunteers). The project manager met with a representative from the Ohio Department of Natural Resources prior to the start of this project to review the guidelines and what would constitute as proper documentation for volunteer services and wages. At the end of the project, all proper documentation (as discussed with ODNR prior to the start) was submitted in a timely manner. However, the ODNR representative that started this project with us was no longer working there. The new representative assigned to our case, did not approve of the documentation submitted. The project manager made every attempt to retrieve the information requested from one contractor that had volunteered his equipment and services, but was unsuccessful.

FINDING NUMBER 2009-22

Significant Deficiency

Water/Sewer Reporting

The Village had two employees that had outstanding utility balances for several consecutive months that were not issued second notices or shutoff notices. The balances for each of these employees were as much as, if not greater than, other utility service customers whose overdue balances were placed on a list, reported to Village council, and recorded in the Village minutes.

We recommend that all utility service customers, regardless of their employment status with the Village, who are outstanding in their payments to the Village be placed on the second notice/shutoff list that is reported monthly to Village council and recorded in the Village minutes.

Officials' Response: These two employees were issue second notices in accordance to our utility ordinance; they were just omitted from the monthly report.

FINDING NUMBER 2009-23

Significant Deficiency

Returned Check Adjustments

The Village fiscal officer reduced the November 4, 2009 deposit amount by \$789. This adjustment was for several customers' utility service returned checks that were recorded on the bank statements for July, September, and October 2009. The November 2009 adjustment for the returned checks did not specify who the returned checks belonged to. Because of the lack of identification as to who the returned checks belonged to, we were unable to ascertain that the customers' outstanding balances were adjusted appropriately and that a returned check fee assessment was added in their accounting software.

We recommend that all returned customer utility payment checks be followed up immediately and that any adjustments and assessments be recorded promptly in the customer's accounting software account.

Officials' Response: NSF checks were adjusted in Quickbooks in a timely manner (provided proof of timely adjustments). However the UAN instructions state, "The NSF check will have to be kept as a bad check until the individual makes good on it. Until they make good on the check, a positive other adjusting factor (OAF) on the bank reconciliation will have to be entered. When the individual deposits another check, no entry will be required, and the OAF will no longer be needed." The individuals in question made good on the checks, however they were not for the same amount as the NSF check. The UAN support instructed me to reduce my next deposit by the NSF checks to clear the OAF adjustments.

FINDING NUMBER 2009-24

Significant Deficiency

Utility Service Finance Charges

The Village fiscal officer manually calculates finance charges on outstanding customer utility services balances and manually enters the finance charge into accounting software. We tested for the proper calculation and assessment of finance charges for four months each during 2008 and 2009. Eleven (11) out of the three hundred forty eight (348) total accounts (3.2%) that were tested had finance charges calculated and assessed at amounts other than the 5% that should have been assessed on the outstanding balances according to the Village ordinance. There were four customers who carried outstanding balances in excess of \$500 that were not assessed finance charges. One customer was charged between 5.25-5.75% on their outstanding balance during each month in 2009 but had not been assessed any finance charges on their outstanding balance for the last three months of 2008.

Improper calculation and assessment of finance charges creates difficulties in assessing the proper outstanding balance that the utility service customer owes and that the fiscal officer should certify to the Clark County Auditor should the need arise.

We recommend that the Village fiscal officer set up accounting software to automatically calculate the appropriate finance charge on outstanding utility service customer balances and to set it to a specific assessment date.

Officials' Response: Three (3) accounts in question were certified with County Auditor, so no late fees were assessed after the certification. Twenty (20) of the accounts in question, had the late fees calculated correctly, however they appear to be slightly off due to rounding to the nearest two decimal places. One (1) account that was identified as being overcharged late fee, was actually a \$40 shut off fee assessed in accordance to the water ordinance. Four (4) accounts in question that were identified as being overcharged late fees were correct in accordance with our water ordinance that states that there is a minimum late fee of \$1. One (1) account in question had an agreement by council (in the minutes) to suspend late fees for one year. This finding should be removed.

FINDING NUMBER 2009-25

Material Weakness

Posting Receipts and Expenditures

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code.

FINDING NUMBER 2009-25 (Continued)

During 2008 and 2009, several receipts and expenditures were not posted into accurate classifications based on the source of the receipt or expenditure. The following posting errors were noted:

- Receipts from nonresident utility service contracts were recorded as Other Financing Sources instead of Capital Contributions
- Expenditures for debt were recorded in the Enterprise Fund instead of the General Fund
- Other Non-Operating Cash Receipts were recorded as Fines, Licenses, and Permits in the Agency Fund
- Other Non-Operating Cash Disbursements were recorded as Other Operating Cash Disbursements in the Agency Fund
- Loan Proceeds were recorded as Intergovernmental Non-Operating Receipts in the Enterprise Fund

Not posting revenues and expenditures accurately resulted in the financial statements requiring several reclassifications. The financial statements reflect all reclassifications and adjustments.

Officials' Response: We received no response.

FINDING NUMBER 2009-26

Material Weakness

Recording Receipts and Expenditures

During 2008 and 2009, several receipts and expenditures were not recorded at all on the financial statements. The following errors were noted:

- Loan proceeds and expenditures from those loan proceeds administered by the Ohio Water Development Authority and made on behalf of the Village that were paid to vendors were not recorded in the Enterprise Fund

Officials' Response: Village clerk was not aware that the OWDA had paid out expenditures directly to Unger Construction. No documentation of this transaction was received by the Village clerk or the Village Mayor from OWDA. All loan proceeds were to be released directly to the Village for deposit and then paid to the vendor by the Village.

FINDING NUMBER 2009-27

Material Weakness

The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure

FINDING NUMBER 2009-27 (Continued)

completeness is achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it. The definition of the completeness assertion is that all account balances and transactions that should be included in the financial records are included.

The Village did not record all year-end encumbrances for 2008 and 2009. By not recording all encumbrances, the Village's budget estimates for the following fiscal year reflected estimated resources that were insufficient to cover those outstanding encumbrances plus current year appropriations and resulted in an increase in the General Fund balance deficit.

The financial statements reflect all adjustments.

Officials' Response: No client comment.

FINDING 2009-28

Material Weakness

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

The Village had unrecorded encumbrances that were more than thirty days overdue for 2008 and 2009. The outstanding encumbrances for 2008 are broken down as follows as to when they were paid:

<u>Outstanding Encumbrances</u>	<u>Months unpaid</u>
20	1-2 months
8	3-6 months
6	7-11 months
3	1 year
<u>3</u>	2 years
40	

FINDING 2009-28 (Continued)

The outstanding encumbrances for 2009 are broken down as follows as to when they were paid:

<u>Outstanding Encumbrances</u>	<u>Months unpaid</u>
6	1-2 months
<u>4</u>	3-6 months
10	

The Village eventually paid these encumbrances along with the incurred late fees and interest as a result of paying them late.

Officials' Response: No client comment.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 and 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-01	IRS Tax Filing Requirements	No	Partially Corrected-Reissued as Finding 2009-01
2007-02	O.R.C. Sec. 733.27 - Accurate Meeting Minutes O.R.C. Sec. 733.28 - Accurate Financial Statements	No No	Partially Corrected-See Management Letter comments Partially Corrected-Reissued as Finding 2009-02
2007-03	O.R.C. Sec. 5705.38 (A) - Timely Adoption of Appropriations	No	Finding No Longer Valid
2007-04	O.R.C. Sec. 5705.41 (D) - Certification of Funds	No	Finding No Longer Valid
2007-05	O.R.C. Sec. 5705.34 - Certification of Tax Rates/ Levies	No	Partially Corrected-Reissued as Finding 2009-03
2007-06	O.R.C. Sec. 5705.39 - Appropriations Not To Exceed Revenues	No	Not Corrected-Reissued as Finding 2009-04
2007-07	O.R.C. Sec. 5705.41 (B) - Expenditures Not To Exceed Appropriations	No	Not Corrected-Reissued as Finding 2009-05
2007-08	O.R.C. Sec. 149.351 (A) - Preservation of Records	No	Not Corrected-Reissued as Finding 2009-08
2007-09	26 U.S.C. Sections 3401-3406 - Timely and Accurate W-2 Processing	No	Finding No Longer Valid
2007-10	O.R.C. Sec. 5705.36 (A)(3) Budgetary Procedures	No	Not Corrected-Reissued as Finding 2009-10
2007-11	O.R.C. Sec. 5705.10 Advances	No	Not Corrected-Reissued as Finding 2009-11
2007-12	O.R.C. Sec. 9.38 Deposits of Public Monies	No	Not Corrected-Reissued as Finding 2009-12
2007-13	O.R.C. Sec. 5704.40 Amended Appropriations	No	Not Corrected-Reissued as Finding 2009-13
2007-14	O.R.C. Sec. 117-2-01(A) Design and Operation of Internal Control	No	Partially Corrected-Reissued as Finding 2009-14
2007-15	O.R.C. Sec. 135.12 Five Year Depository Designation	No	Not Corrected-Reissued as Finding 2009-15

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Mary Taylor, CPA
Auditor of State

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
NOVEMBER 4, 2010