

VILLAGE OF NORTH HAMPTON

CLARK COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010



Dave Yost • Auditor of State

Member of 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 Manning & Associates CPAs, LLC, for the audit period January 1, 2010 through December 31, 2011. 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.

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

Dave Yost
Auditor of State

November 2, 2012

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**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Funds - For the Year Ended December 31, 2011	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Funds - For the Year Ended December 31, 2010	6
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2010	7
Notes to the Financial Statements	8 - 19
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21 - 22
Schedule of Findings	23 - 28
Schedule of Prior Audit Findings	29 - 30

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Manning & Associates

Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Village of North Hampton, Clark County (the Village), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 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, 2011 and 2010 or its changes in financial position or cash flows, where applicable, 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 of the Village of North Hampton, Clark County, as of December 31, 2011 and 2010, and reserves for encumbrances as of December 31, 2010 of Village of North Hampton, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC
Dayton, Ohio

June 25, 2012

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**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, 2011

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Local Taxes	\$ 21,293	\$ 0	\$ 21,293
Intergovernmental Revenues	10,761	24,776	35,537
Fines, Licenses and Permits	174,066	0	174,066
Earnings on Investments	19	36	55
Miscellaneous	7,919	0	7,919
<i>Total Cash Receipts</i>	<u>214,058</u>	<u>24,812</u>	<u>238,870</u>
Cash Disbursements			
Current:			
Security of Persons and Property	\$ 134,380	\$ 0	\$ 134,380
Leisure Time Activities	4,063	0	4,063
Transportation	0	23,564	23,564
General Government	85,133	0	85,133
<i>Total Cash Disbursements</i>	<u>223,576</u>	<u>23,564</u>	<u>247,140</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>(9,518)</u>	<u>1,248</u>	<u>(8,270)</u>
 <i>Net Change in Fund Cash Balances</i>	 (9,518)	 1,248	 (8,270)
 <i>Fund Cash Balances, January 1</i>	 <u>10,216</u>	 <u>80,232</u>	 <u>90,448</u>
 Fund Cash Balances, December 31			
Restricted	0	81,480	81,480
Committed	250	0	250
Unassigned (Deficit)	448	0	448
 <i>Fund Cash Balances, December 31</i>	 <u>\$ 698</u>	 <u>\$ 81,480</u>	 <u>\$ 82,178</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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 368,818	\$ 0	\$ 368,818
Fines, Licenses and Permits	0	175,929	175,929
<i>Total Operating Cash Receipts</i>	<u>368,818</u>	<u>175,929</u>	<u>544,747</u>
Operating Cash Disbursements			
Personal Services	\$ 13,058	\$ 0	\$ 13,058
Contractual Services	263,600	0	263,600
Supplies and Materials	15,591	0	15,591
Other	0	172,976	172,976
<i>Total Operating Cash Disbursements</i>	<u>292,249</u>	<u>172,976</u>	<u>465,225</u>
<i>Operating Income (Loss)</i>	<u>76,569</u>	<u>2,953</u>	<u>79,522</u>
Non-Operating Cash Receipts:			
Other Debt Proceeds	119,033	0	119,033
<i>Total Non-Operating Cash Receipts</i>	<u>119,033</u>	<u>0</u>	<u>119,033</u>
Non-Operating Cash Disbursements			
Capital Outlay	42,453	0	42,453
Principal Retirement	132,754	0	132,754
Interest and Other Fiscal Charges	129,713	0	129,713
<i>Total Non-Operating Cash Disbursements</i>	<u>304,920</u>	<u>0</u>	<u>304,920</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(109,318)	2,953	(106,365)
Capital Contributions	88,597	0	88,597
<i>Net Change in Fund Cash Balances</i>	(20,721)	2,953	(17,768)
<i>Fund Cash Balances, January 1</i>	<u>140,045</u>	<u>15,216</u>	<u>155,261</u>
Fund Cash Balances, December 31	<u>\$ 119,324</u>	<u>\$ 18,169</u>	<u>\$ 137,493</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, 2010

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Local Taxes	\$ 27,452	\$ 0	\$ 27,452
Intergovernmental Revenues	5,709	25,574	31,283
Fines, Licenses and Permits	203,145	0	203,145
Earnings on Investments	1,895	59	1,954
Miscellaneous	13,135	1,709	14,844
<i>Total Cash Receipts</i>	<u>251,336</u>	<u>27,342</u>	<u>278,678</u>
Cash Disbursements			
Current:			
Security of Persons and Property	\$ 123,473	\$ 0	\$ 123,473
Leisure Time Activities	3,945	0	3,945
Transportation	0	13,563	13,563
General Government	86,835	0	86,835
<i>Total Cash Disbursements</i>	<u>214,253</u>	<u>13,563</u>	<u>227,816</u>
<i>Total Receipts Over/(Under) Disbursements</i>	<u>37,083</u>	<u>13,779</u>	<u>50,862</u>
<i>Net Change in Fund Balances</i>	37,083	13,779	50,862
<i>Fund Cash Balances, January 1</i>	<u>(26,867)</u>	<u>66,453</u>	<u>39,586</u>
Fund Cash Balances, December 31	<u>\$ 10,216</u>	<u>\$ 80,232</u>	<u>\$ 90,448</u>
<i>Reserve for Encumbrances, December 31</i>	<u>8,140</u>	<u>2,572</u>	<u>10,712</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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 352,293	\$ 0	\$ 352,293
Fines, Licenses and Permits	0	197,120	197,120
Miscellaneous	2,934	0	2,934
<i>Total Operating Cash Receipts</i>	<u>355,227</u>	<u>197,120</u>	<u>552,347</u>
Operating Cash Disbursements			
Personal Services	\$ 13,115	\$ 0	\$ 13,115
Contractual Services	225,046	0	225,046
Supplies and Materials	14,932	0	14,932
Other	0	201,425	201,425
<i>Total Operating Cash Disbursements</i>	<u>253,093</u>	<u>201,425</u>	<u>454,518</u>
<i>Operating Income (Loss)</i>	<u>102,134</u>	<u>(4,305)</u>	<u>97,829</u>
Non-Operating Cash Receipts:			
Other Debt Proceeds	7,600	0	7,600
<i>Total Non-Operating Cash Receipts</i>	<u>7,600</u>	<u>0</u>	<u>7,600</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	121,943	0	121,943
Interest and Other Fiscal Charges	127,446	0	127,446
<i>Total Non-Operating Cash Disbursements</i>	<u>249,389</u>	<u>0</u>	<u>249,389</u>
<i>Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances</i>	(139,655)	(4,305)	(143,960)
Capital Contributions	132,660	0	132,660
<i>Net Revenues Over/(Under) Expenses</i>	(6,995)	(4,305)	(11,300)
<i>Fund Cash Balances, January 1</i>	<u>147,040</u>	<u>19,521</u>	<u>166,561</u>
Fund Cash Balances, December 31	<u>\$ 140,045</u>	<u>\$ 15,216</u>	<u>\$ 155,261</u>
<i>Reserves for Encumbrances, December 31</i>	<u>18,804</u>	<u>0</u>	<u>18,804</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
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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 governmental services, water utilities, park operations (leisure time activities), police, and fire protection.

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

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue 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:

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

State Highway 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 – receives motor vehicle license tax money which must be used for highway, roads, streets or bridges.

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 Fund:

Water Fund – This fund receives charges for the services from residents and outside contracted parties to cover the cost of providing water utility.

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

4. Fiduciary Fund

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant fiduciary Agency fund:

Mayor's Court Fund (Agency Fund) – The fund reports the financial activity of the Village Mayor's Court fines, forfeitures, and bonds.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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.

1. 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable

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

Restricted

For 2011, fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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, 2011 AND 2010

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:

	<u>2011</u>	<u>2010</u>
Deposits:		
Demand Deposits	\$ 219,671	\$ 245,709
Total Deposits	\$ <u>219,671</u>	\$ <u>245,709</u>

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

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010

3 BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 as follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 225,549	\$ 214,058	\$ (11,491)
Special Revenue	23,000	24,812	1,812
Enterprise Funds	543,110	576,448	33,338
Total	<u>\$ 791,659</u>	<u>\$ 815,318</u>	<u>\$ 23,659</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 219,342	\$ 223,576	\$ (4,234)
Special Revenue	24,690	23,564	1,126
Enterprise Funds	649,718	597,169	52,549
Total	<u>\$ 893,750</u>	<u>\$ 844,309</u>	<u>\$ 49,441</u>

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 225,168	\$ 251,336	\$ 26,168
Special Revenue	18,000	27,342	9,342
Enterprise Funds	546,110	495,487	(50,623)
Total	<u>\$ 789,278</u>	<u>\$ 774,165</u>	<u>\$ (15,113)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 226,707	\$ 222,393	\$ 4,314
Special Revenue	23,780	16,135	7,645
Enterprise Funds	653,535	521,286	132,249
Total	<u>\$ 904,022</u>	<u>\$ 759,814</u>	<u>\$ 144,208</u>

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

3. BUDGETARY COMPLIANCE

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund shall not exceed the total estimated revenues available from expenditures therefrom. The Village was observed having appropriations in excess of amounts certified as available by the amended certificate of estimated resources in the Water Operating Fund in 2011 by \$91,810; and in 2010 the General and Water Operating funds by \$24,508 and \$44,303, respectively.

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Contrary to Ohio Law, estimated resources exceeded appropriations in excess of actual receipts plus unencumbered balance in the General and Water Operating funds in 2011 by \$3,401 and \$17,726, respectively; and in 2010 the Water Operating Fund by \$93,304.

Ohio Rev. Code section 5705.41, the Village cannot expend money unless it has been appropriated. The Village had the General and Sewer Operating funds expenditures exceeding amount appropriated in 2011 by \$4,234 and \$22,080, respectively.

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Board of Trustees. 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 payment, 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
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

5. DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest</u>
United States Dept. of Agriculture (USDA)	\$ 940,000	5.125%
OWDA Loan - #3772 Water Treatment	770,500	4.340%
OWDA Loan - #4276 Sewer Line	879,622	1.000%
OWDA Loan - #4547 Water Line	1,465,138	1.500%
OWDA Loan - #4817 Water Line	793,276	1.500%
OWDA Loan - #5999 Water Tower	119,033	1.500%
Security National Bank Loan 1548549	36,300	7.875%
Total	<u>\$5,003,869</u>	

The Village received a loan from the United State 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 with an interest rate of 5.125%. The loan is collateralized by sewer receipts

The Ohio Water Development Authority (OWDA) #3772 Water Treatment Loan was used to fund the expansion and renovations of the water treatment plant. The Village was approved for \$878,160 at 4.34% interest. The loan is collateralized by receipts from South Bay, LLC who is to pay 10 semiannual payments of \$25,000 less tap fees collected by the Village. In addition, the Village collects receipts from German Township who pays semi-annual payments of \$12,700 each.

The Ohio Water Development Authority (OWDA) #4276 Sewer Line Loan was obtained to fund the upgrades and expansion of the Villages sewer system. The Village was approved for \$1,030,722 at 1.0% interest. The Village will make semi-annual payments beginning July 1, 2005 with a maturity date of 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). These receipts total \$40,100 annually.

The Ohio Water Development Authority (OWDA) #4547 Water Line Loan was used to fund the improvements of the water system. The Village was approved for \$1,618,799 at 1.5% interest. The Village will make semi-annual principal and interest payments began July 1, 2008 with a maturity date of July 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 Ohio Water Development Authority (OWDA) #4817 Water Line Loan was used to fund the expansion of the water line. The Village was approved for \$944,894 at 1.5% interest. The Village will make semi-annual principal and interest payments beginning July 1, 2010 with a maturity date of January 1, 2040.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) #5999 Water Tower Loan was used to fund the refurbishment of the water tower and equipment. The Village was approved for \$119,033 at 1.5% interest. The Village is due to begin repaying the loan July 1, 2012 with a maturity date of July 1, 2042.

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 payments of \$4,033 plus interest are due beginning August 15, 2006 with a maturity date of August 15, 2020. Interest rates change every three years and is subject to change August 15, 2012.

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

Year Ending December 31	Security National Bank Loan		OWDA Loans		USDA Sewer Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 4,033	\$ 2,015	\$120,002	76,466	\$ 15,000	\$ 48,175
2013	4,033	1,791	123,801	75,137	16,000	47,406
2014	4,033	1,567	126,089	72,848	16,000	46,586
2015	4,033	1,343	128,437	70,501	17,000	45,766
2016	4,033	1,119	130,845	68,093	18,000	44,895
2017-2021	16,135	2,239	692,606	302,075	105,000	209,614
2022-2026	0	0	763,176	231,511	135,000	179,836
2027-2031	0	0	844,076	150,615	173,000	141,503
2032-2036	0	0	856,648	59,102	222,000	92,455
2037-2041	0	0	239,346	6,198	223,000	29,264
2042	0	0	2,543	18	0	0
Total	\$ 36,300	\$ 10,074	\$ 4,027,569	\$ 1,112,564	\$ 940,000	\$ 885,500

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10.0 percent of their gross salaries and the Village contributed an amount equaling 14.0 percent of covered payroll and public safety and law enforcement employer units contributed to OPERS at 17.4 percent. The Village has paid all contributions required through December 31, 2011.

Elected officials, with the exception of the Village Mayor and Fiscal Officer, contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2011 and 2010, these officials contributed 4.2 percent of their gross salaries. The Village contributes an equal amount to 6.2 percent of participant's gross salaries through December 31, 2011. The Village has paid all contributions required through December 31, 2011.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

7. RISK MANAGEMENT

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at December 31, 2010, retention levels are \$150,000 for property and casualty coverage.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$1,950,167	\$ 2,109,514
Liabilities	<u>(1,656,732)</u>	<u>(1,920,839)</u>
Accumulated deficit	<u>\$ 93,435</u>	<u>\$ 188,675</u>

Settlement claims have not exceeded insurance in the last three fiscal years.

The Village provides health insurance to fulltime employees.

8. LEASES

The Village entered into a four year lease agreement with General Motor Acceptance Corporation (GMAC) for the acquisition of a 2006 GMC Sierra 3500 truck with monthly payments beginning March 2006 through 2010. 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. The Village exercised this right and retained ownership upon completion of the lease agreement.

The Village entered into a five year lease agreement with Dollar Leasing Corp. for the acquisition of a 2011 Dodge Charger Police Cruiser with quarterly payments beginning June 1, 2011 through 2016. 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, 2011 AND 2010

8. LEASES (Continued)

Future lease payments for the above leases are as follows:

Year Ending December 31:	Amount
2012	7,423
2013	5,938
2014	5,938
2015	5,938
2016	2,969
Total Minimum Lease Payments	\$28,206
Less amount representing interest	4,990
Present value of minimum lease payments	\$23,216

9. DEFICIT FUND BALANCES

The Village had a beginning deficit fund balance of \$26,867 in the General Fund for January 1, 2010. The Village has taken steps to reduce spending to help reduce this deficit balance however, it was noted deficit fund balances were observed in both 2011 and 2010. The Auditor of State's Local Government Services Division monitors the Village's fund balances.

10. ADVANCES

During 2003 the Village made the following advance:

Advance from the Enterprise Fund To:	
General Fund	\$ 10,000

The advance to the General Fund from the Enterprise Fund was made during 2003 for general purposes and was due to be repaid during 2004. As of December 31, 2011 the advance remains outstanding.

11. CONTINGENT LIABILITY

The Village provides utility services to Chateau Estates. Per the contract with Chateau Estates, the Estates were to receive a credit of \$1,500 against their first ten (10) semi-annual installments. There is no any indication on the invoices to Chateau Estates or in the receipt amounts recorded by the Village to indicate this credit has been given. Total contingent liability due to Chateau Estates is \$15,000.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

12. UNCOLLECTED CAPITAL RECOVERY

As mentioned in Note 5, the Village has a loan collateralized in part by \$250,000 in receipts less tap fees from South Bay, LLC. South Bay, LLC was to develop 150 to 180 residential units, in 2008 the development faltered and South Bay, LLC discontinued development and stopped paying their semi-annual payments to the Village.

South Bay, LLC was to complete the development of 160 units no later than November 1, 2010. If South Bay, LLC failed to develop 160 they were to pay the Village the remaining balance of the \$250,000 less tap fees at that time. At December 31, 2011 South Bay, LLC still owes \$125,000 per this agreement. The Village council has been actively exploring means to recuperate the funds through real estate tax assessments or attracting a new developer to the area to complete the project.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 25, 2012, the date on which the financial statements were available for issue.

On April 6, 2012, the Village issued a Water System Revenue Bond for \$61,000. Repayment is set to begin July 15, 2012 with a maturity date of April 15, 2027.

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Manning & Associates

Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

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

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

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, 2011, and 2010, and have issued our report thereon dated June 25, 2012, wherein we noted the Village 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. Also we noted the Village adopted Governmental Accounting Standards Board Statement No. 54 during 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting 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 opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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 preceding paragraph 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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 2011-004 through 2011-007 described in the accompanying schedule of findings to be material weaknesses.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings Number 2011-001 through 2011-005, and 2011-008.

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.

We intend this report solely for the information and use of management and the Village Council. We intend it for no one other than these specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio

June 25, 2012

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-001

Noncompliance

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund shall not exceed the total estimated revenue available for expenditure there from, as certified by the budget commission. 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 estimate.

The following funds had appropriations in excess of the amounts certified as available by the Amended Certificate of Estimated Resources:

Fund	Estimated Resources	Appropriations	Variance
2011			
Water Operating	\$ 242,024	\$ 333,838	\$ (91,810)
2010			
General	\$ 202,199	\$ 226,707	\$ (24,508)
Water Operating	280,849	325,152	(44,303)

To comply with this section and improve budgetary controls the Village should file their appropriation measures with the county budget commission for certification that the amounts appropriated do not exceed the available resources. In addition, the Certificate of Estimated Resources should be amended on a timely basis to reflect changes in actual or expected revenue and the corresponding appropriations should be amended accordingly.

Response: The Village will monitor budgetary compliance more closely in the future.

FINDING NUMBER 2011-002

Noncompliance

Ohio Rev. Code Section 5705.41 states that no subdivision or taxing unit is to expend money unless it has been appropriated. 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 estimate.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-002 (Continued)

The following funds had expenditures in excess of the amounts appropriated:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
2011			
General	\$ 219,342	\$ 223,576	\$ (4,234)
Sewer Operating	315,880	337,960	(22,080)

The Council should monitor expenditures and amend appropriates when necessary to eliminate the possibility of overspending Village resources.

Response: The Village will monitor budgetary compliance more closely in the future.

FINDING NUMBER 2011-003

Noncompliance

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below that current level of appropriation.

The following funds were determined to have appropriations in excess of actual receipts plus unencumbered balance:

<u>Fund Name</u>	<u>Actual Resources</u>	<u>Appropriation</u>	<u>Variance</u>
2011			
General	\$215,941	\$219,342	(\$3,401)
Water Operating	316,112	333,838	(17,726)
2010			
Water Operating	\$231,848	325,152	(93,304)

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-003 (Continued)

Failure to obtain the amended certificate of estimated resources did not provide the trustees with an accurate estimate of resources available for appropriations which could lead to negative fund balances. The Board should monitor receipts and amend estimated receipts when necessary to keep estimated receipts in line with actual receipts and make any corresponding amendments to its appropriations and disbursements.

Response: The Village will monitor budgetary compliance more closely in the future..

FINDING NUMBER 2011-004

Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.10 requires all revenue derived from a specific source to be created to a special fund for the purpose for which monies were received. Although interfund 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 interfund 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 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 money to be used to make the reimbursement, and
- 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 the repayment will be made.

The 2003 audited financial statements reflected an advance of \$10,000 from the Water Operating (creditor) to the General Fund (debtor). The Village was to have repaid the advance during 2004, but as of December 31, 2011, there was no indication that the repayment had occurred.

Response: The Village will review ORC Sections 5705.14 to 5705.16 for proper handling of advances in the future. The \$10,000 advance will be repaid in 2012.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-005

Noncompliance/Material Weakness

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 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 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 Village receipts. Deposits for the Village were made on average of three to four times per month.

The Village clerk thus did not post revenues in a timely manner. During the audit periods, numerous receipts were posted into their computer system several days after they received. This presented inaccurate information in monthly and on the annual financial statements and could lead to a chance of errors not being timely recognized. The timely posting of revenues is essential internal control for the annual financial reports to accurately and completely reflect the revenues of the Village. As a result, inaccurate information was given to the Council Members for monthly review and bank reconciliation(s) included reconciling items stating deposits on bank statements not in system.

Risks associated with these conditions include the possibility of loss of revenue; missing or duplicate posting of cash receipts and disbursements; and reconciliation errors that could go undetected. To strengthen internal accounting controls, reduce errors in recording transactions, and to provide management with reasonable assurance that cash reconciliation procedures are in place.

Response: The Village Fiscal Officer does not work full-time hours. Once cash flow is more stable and reserves have been established, the Village may consider transitioning clerk position to full-time.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-006

Material Weakness

Improper Invoice

As mentioned in Note 5, the Village provides utility services to Chateau Estates. The contract indicated 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 no indication on the invoices to Chateau Estates nor the in the receipt amount recorded by the Village that this credit has been given.

The Village has an outstanding contingent liability for the \$15,000 in credits to Chateau Estates installment payments. We recommend the Village revisit the terms of the contract with Chateau Estates and the ten (10) semi-annual installment payment credits be given.

Response: The Village will revisit the Chateau Estates contract and asses credits accordingly.

FINDING NUMBER 2011-007

Material Weakness

Insufficient Debt Service Collections

As mentioned in Note 5, the Village has multiple loans outstanding that are collateralized by capital recovery costs and utilities receipts of multiple entities. The combined receipts collected from the contract payments and metered utilities in both 2011 and 2010 were at a deficit.

We recommend the Village review the allocation of capital recovery costs as well as setting utility rates high enough so that the combination of both are sufficient to cover debt service costs.

Response: The Village has increased utility rates in 2012 to counter the insufficient debt service collections.

FINDING NUMBER 2011-008

Noncompliance

Ohio Rev. Code Section 5705.41 (D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-008 (Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D) (1) and 5705.41 (D) (3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval or expenditures by the Village.
2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super blanket certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

Unless the exception noted above is used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

The Village issued purchase orders after the incurrence of an expense without certifying the purchase order as a "Then and Now," for 3 instances expenditures tested in 2011 and 20 instances expenditures tested in 2010.

The Village issued twenty-nine (29) and fifteen (15) "Then and Now" purchase orders in 2011 and 2010, respectively, which were in excess of the \$3,000 limitation as described in ORC 5705.41(D).

Response: The Fiscal Officer will review the proper use of purchase orders and make the necessary changes for the future.

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2009-01	15(Circular E) - IRS Tax Filing Requirements	Yes	
2009-02	ORC 733.28 - Failure to properly maintain books and records (Bank Reconciliations)	Yes	
2009-03	ORC 5705.35 - Failure to properly pass ordinance or resolution to authorize necessary tax levies	Yes	
2009-04	ORC 5705.39 - Total Appropriation should not exceed the Total Estimated Revenue.	No	Reissued as Finding 2011-001
2009-05	ORC 5705.41(B) - Expenditures should not exceed appropriations	No	Reissued as Finding 2011-002
2009-06	ORC 5705.36(A)(4) Appropriation should not be greater than Actual Resources	No	Reissued as Finding 2011-003
2009-07	Budgetary as filled with County Budget Commission does not agree with Village's Accounting System	Yes	
2009-08	ORC 149.351(A) - Failure to properly preserve of public records	Yes	
2009-10	ORC 5705.36(A)(3) - Failure to obtain an increased amended certificate form the Budget Commission	No	Combined with Finding 2011-003
2009-11	ORC 5705.10 - Interfund Activity - Advances	No	Reissued as Finding 2011-004
2009-12	ORC 9.38 - Failure to timely deposit of all public monies	Partially	Reissued as Finding 2011-005
2009-13	ORC 5704.40 - Amended Appropriations result in over appropriation of funds	Yes	
2009-14	Ohio Admin. Code Sec. 117-2-01(A) Design and Operation of Internal Control System	Yes	
2009-15	ORC 135.12 - Failure of designation of depositories with financial institution	Yes	
2009-16	Failure to Invoice of Capital Recovery Costs	Yes	
2009-17	Improper Invoicing of utility services provided	Partially	Reissued as Finding 2011-006

**VILLAGE OF NORTH HAMPTON
CLARK COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2009-18	Failure to adequately collect Village funds	Yes	
2009-19	Failure to collected Capital Recovery Costs	Yes	
2009-20	Failure to collect sufficient funds for Debt Service Costs	No	Reissued as Finding 2011-007
2009-21	Failure to adequately secure Grant monies received in timely manner	Yes	
2009-22	Failure to properly notify outstanding utility balances and reflect on monthly report	Yes	
2009-23	Failure to adequately reflect returned checks to customer account in timely manner	Yes	
2009-24	Utility Service billing for finance charges inconsistent	Yes	
2009-25	Improper recording of receipts and expenditures - proper classification	Yes	
2009-26	Improper recording of receipts and expenditures - omissions from the Financial Statements	Yes	
2009-27	Failure to records all year-end encumbrances	Yes	
2009-28	Unrecorded encumbrances	Yes	



Dave Yost • 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 15, 2012