



**Auditor of State  
Betty Montgomery**



**VILLAGE OF HAMLER  
HENRY COUNTY**

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**Auditor of State  
Betty Montgomery**

## **INDEPENDENT ACCOUNTANTS' REPORT**

Village of Hamler  
Henry County  
500 Hubbard Street  
P.O. Box 435  
Hamler, Ohio 43524-0435

To the Village Council:

We have audited the accompanying financial statements of the Village of Hamler, Henry County, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

June 22, 2004

**VILLAGE OF HAMLER  
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts</b>					
Property Tax and Other Local Taxes	\$ 95,612				\$ 95,612
Intergovernmental Receipts	40,120	\$ 23,338		\$ 75,404	138,862
Charges for Services	750				750
Fines, Licenses, and Permits	1,473				1,473
Earnings on Investments	3,458				3,458
Miscellaneous	13,406				13,406
<b>Total Cash Receipts</b>	<b>154,819</b>	<b>23,338</b>		<b>75,404</b>	<b>253,561</b>
<b>Cash Disbursements</b>					
Current:	30,710				30,710
Security of Persons and Property	927				927
Leisure Time Activities	111				111
Basic Utility Services	1,933				1,933
Transportation	22,783	3,183			25,966
General Government	76,116				76,116
Debt Service:					
Principal Payments	16,888				16,888
Interest Payments	7,986				7,986
Capital Outlay				90,295	90,295
<b>Total Cash Disbursements</b>	<b>157,454</b>	<b>3,183</b>		<b>90,295</b>	<b>250,932</b>
Total Cash Receipts Over/ (Under) Cash Disbursements	(2,635)	20,155		(14,891)	2,629
<b>Other Financing Receipts</b>					
Sale of Bonds or Notes				14,891	14,891
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(2,635)	20,155			17,520
Fund Cash Balances, January 1	116,462	98,969	\$ 337		215,768
<b>Fund Cash Balances, December 31</b>	<b>\$ 113,827</b>	<b>\$ 119,124</b>	<b>\$ 337</b>		<b>\$ 233,288</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF HAMLER  
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u><b>Enterprise</b></u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$ 138,354</u>
Total Operating Cash Receipts	<u>138,354</u>
<b>Operating Cash Disbursements</b>	
Personal Services	39,346
Miscellaneous	1,620
Supplies and Materials	58,480
Capital Outlay	<u>28,695</u>
Total Operating Cash Disbursements	<u>128,141</u>
Operating Income	10,213
Fund Cash Balances, January 1	<u>188,701</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 198,914</b></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**VILLAGE OF HAMLER  
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts</b>					
Property Tax and Other Local Taxes	\$ 92,763				\$ 92,763
Intergovernmental Receipts	27,702	\$ 22,616		\$ 1,417	51,735
Charges for Services	1,500				1,500
Fines, Licenses, and Permits	650				650
Earnings on Investments	4,809				4,809
Miscellaneous	13,773				13,773
<b>Total Cash Receipts</b>	<b>141,197</b>	<b>22,616</b>		<b>1,417</b>	<b>165,230</b>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	30,588				30,588
Public Health Services	4,553				4,553
Leisure Time Activities	108				108
Basic Utility Services	1,146				1,146
Transportation	23,444	2,428			25,872
General Government	281,639				281,639
Debt Service:					
Principal Payments	14,843				14,843
Interest Payments	7,958				7,958
Capital Outlay				1,417	1,417
<b>Total Cash Disbursements</b>	<b>364,279</b>	<b>2,428</b>		<b>1,417</b>	<b>368,124</b>
Total Cash Receipts Over/ (Under) Cash Disbursements	(223,082)	20,188			(202,894)
<b>Other Financing Receipts</b>					
Loan Proceeds	200,000				200,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(23,082)	20,188			(2,894)
Fund Cash Balances, January 1	139,544	78,781	\$ 337		218,662
<b>Fund Cash Balances, December 31</b>	<b>\$ 116,462</b>	<b>\$ 98,969</b>	<b>\$ 337</b>		<b>\$ 215,768</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF HAMLER  
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u><b>Enterprise</b></u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$ 147,879</u>
Total Operating Cash Receipts	<u>147,879</u>
<b>Operating Cash Disbursements</b>	
Personal Services	36,468
Supplies and Materials	63,528
Capital Outlay	<u>9,494</u>
Total Operating Cash Disbursements	<u>109,490</u>
Operating Income	38,389
Fund Cash Balances, January 1	<u>150,312</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 188,701</b></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF HAMLER  
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Hamler, Henry 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 governmental services, including water and sewer utilities, park operations, and police 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 Deposits**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash 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.

**VILLAGE OF HAMLER  
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**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:

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

**3. Debt Service Funds**

These funds are used to accumulate resources for the payment of bonds and note indebtedness.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Improvement Fund - This fund receives State Issue II monies for the construction and repairs of major capital projects.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

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

**VILLAGE OF HAMLER  
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, 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. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

A summary of 2003 and 2002 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 HAMLER  
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**2. EQUITY IN POOLED CASH**

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

	2003	2002
Demand deposits	\$ 302,202	\$ 274,469
Certificates of deposit	130,000	130,000
Total deposits	\$ 432,202	\$ 404,469

Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 276,462	\$ 154,819	\$ (121,643)
Special Revenue	38,100	23,338	(14,762)
Capital Projects		90,295	90,295
Enterprise	153,000	138,354	(14,646)
Total	\$ 467,562	\$ 406,806	\$ (60,756)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 276,462	\$ 157,454	\$ 119,008
Special Revenue	137,068	3,183	133,885
Debt Service	337		337
Capital Projects	-	90,295	(90,295)
Enterprise	341,701	128,141	213,560
Total	\$ 755,568	\$ 379,073	\$ 376,495

**VILLAGE OF HAMLER  
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 350,000	\$ 341,197	\$ (8,803)
Special Revenue	23,100	22,616	(484)
Capital Projects		1,417	1,417
Enterprise	170,000	147,879	(22,121)
Total	\$ 543,100	\$ 513,109	\$ (29,991)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 473,081	\$ 364,279	\$ 108,802
Special Revenue	101,881	2,428	99,453
Debt Service	377		377
Capital Projects		1,417	(1,417)
Enterprise	320,312	109,490	210,822
Total	\$ 895,651	\$ 477,614	\$ 418,037

In 2003 and 2002 the State Issue II Capital Projects fund expenditures exceeded appropriations by (\$90,295) and (\$1,417), respectively.

**4. PROPERTY TAX**

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

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.

**VILLAGE OF HAMLER  
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

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

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Loans	\$ 168,269	4.50%
Ohio Public Works Commission Loan #1	52,800	
Ohio Public Works Commission Loan #2	34,020	
Total	<u>\$ 255,089</u>	

The Ohio Public Works Commission (OPWC) Loan #1 relates to railroad street drainage road improvements. The OPWC has approved \$52,800 in an interest free loan to the Village for this project. The loan will be repaid in semiannual installments of \$2,640 over 20 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) Loan #2 relates to water treatment plant modifications. The OPWC has approved \$34,020 in an interest free loan to the Village for this project. The loan will be repaid in semiannual installments of \$3,402, for 10 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.



**VILLAGE OF HAMLER  
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

The Mortgage loan relates the Village purchasing land. The Mortgage loan is repaid over a 12 year period at a rate of 4.5 percent. The annual payments of \$24,874 including interest payments will be made through 2012. The Mortgage Loan is collateralized by the Village's taxing authority.

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

<u>Year ending December 31:</u>	<u>Mortgage Loan</u>	<u>OPWC Loan #1</u>	<u>OPWC Loan #1</u>
2004	\$ 24,875		\$ 3,402
2005	24,875	\$ 2,640	3,402
2006	24,875	2,640	3,402
2007	24,875	2,640	3,402
2008	24,875	2,640	3,402
2009 – 2013	76,695	13,200	17,010
2014 – 2018		13,200	
2019 – 2023		13,200	
2024		2,640	
Total	<u>\$ 201,070</u>	<u>\$ 52,800</u>	<u>\$ 34,020</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officer belongs to the Ohio Police and Fire Pension Funds. Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF HAMLER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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



**Auditor of State  
Betty Montgomery**

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

Village of Hamler  
Henry County  
500 Hubbard Street  
P.O. Box 435  
Hamler, Ohio 43524-0435

To the Village Council:

We have audited the accompanying financial statements of the Village of Hamler, Henry County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 22, 2004.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Village in a separate letter dated June 22, 2004.

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



**Betty Montgomery**  
Auditor of State

June 22, 2004

**VILLAGE OF HAMLER  
HENRY COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) (1) prohibits a subdivision or taxing authority 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.

There are several exceptions to the standard requirement stated above: including: “then and now” certificates, blanket certificates and super blanket certificates, which are provided for in §§ 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 township can authorize the drawing of a warrant for the payment of the amount due. The township has thirty days from receipt of the “then and now” certificate to approve payment by ordinance or resolution.
2. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) 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 of expenditures by the Village.

Fiscal officers may prepare so-called “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond 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. Effective September 26, 2003, the \$5,000 limit on the issuance of purchase orders and the requirement that purchase orders not extend beyond three months have been removed from the law. Effective September 26, 2003, purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

**FINDING NUMBER 2003-001**  
**(Continued)**

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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village Clerk-Treasurer does not certify that money was available or appropriated for expenditures in the audit period. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Clerk-Treasurer certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Clerk-Treasurer should sign the certification prior to the Village incurring a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Clerk-Treasurer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**FINDING NUMBER 2003-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

The Village did not appropriate State Issue II monies received in 2003 and 2002, since the State, rather than the Village, disburses cash on the Village's behalf. State Issue II capital project fund expenditures exceeded appropriations in 2003 and 2002 by the amounts of \$90,295 and \$1,417, respectively.

We recommend that the Clerk/Treasurer and the Village Council members review and understand the budgetary requirements as outlined in the Auditor of State Bulletin 2002-004 regarding Ohio Public Works Commission Issue II funding.

### **FINDING NUMBER 2003-003**

#### **Material Weakness - Utilities Processing**

The following deficiencies were noted during our testing of utilities:

- There is a lack of segregation of duties in the utilities department. The Utility Supervisor performs all duties related to utilities; the reading of the meters, processing of utility billings, adjusting accounts and collection of some deposit and hook up fees.
- There is no reconciliation between the Village Clerk's general ledger and the utility subsidiary ledger.
- Three of 60 (5 percent) of the meter cards tested were incomplete lacking dates of meter readings, beginning or ending meter readings, usage amounts or adjustments to readings.
- Utility billings system software did not require a password and the physical location of the computer hardware is accessible by anyone entering the unlocked and unattended building.

Review of utility billing register noted easily identifiable errors in the billings that were not detected before mailing them out. An adjustment was noted in the utility billing register of one instance where a utility bill for \$1,000,000 was sent out to the consumer.

The utility billing software has not been updated since 1995. Updates have been purchased but were never installed on the billing computer due to lack of compatibility between the utility software and system software.

The lack of segregation of duties and weaknesses could result in irregularities not being detected in a timely manner, or inaccurate posting of revenues to the Water and Sewer Operating funds. To ensure the accountability of utility revenues and prevent or detect the loss or diversion of utility revenues, we recommend the following:

- A policy should be established by the Board of Public Affairs (BPA) requiring approval of adjustments to accounts over an established amount prior to the adjustment being made. On a periodic basis the BPA should review all adjustments made to accounts. All adjustments should have supporting documentation attached to support the adjustment. Any write off of accounts should only be completed upon approval by the BPA. If determined efficient and economical by the BPA, consideration should be made concerning the use of a part time meter reader. This would ensure a segregation of duties between the collection of data and the billing cycle.
- Reconciliation should be performed between the general ledger (maintained by the Clerk) and the utility subsidiary ledger (maintained by the Utility Supervisor). Reconciling items should be identified and corrected between the two ledgers.

**FINDING NUMBER 2003-003**  
**(Continued)**

- Meter cards should be completely filled out by the meter reader. The meter cards should contain the billing year, the prior month reading and the current month reading. Any readings that need to be adjusted should show documentation on the meter card as to why the adjustment is necessary.
- Password access to the computer and the billing information should be utilized and limited to those employees specifically assigned to work on utilities. Physical access to the utility billing records and computer should be locked when the Utility Supervisor is not on site.
- The billing register should be scanned prior to printing the utility bills for unusual billing amounts, incorrect reading amounts should be corrected prior to printing out the billing stubs.
- The updated billing software previously purchased should be installed. Prior to this upgrade the BPA needs to update the system software.



**VILLAGE OF HAMLER  
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30135-001	Ohio Revised Code § 135.18	Yes	
2001-30135-002	Ohio Revised Code § 5705.41 (D)	No	Not corrected. Repeated in this report as finding number 2003-001.





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**VILLAGE OF HAMLER**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 22, 2004**