

**VILLAGE OF HAMDEN
VINTON COUNTY
Regular Audit
For the Years Ended
December 31, 2011 and 2010**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of Hamden
P.O. Box 355
Hamden, Ohio 45634

We have reviewed the *Independent Accountants' Report* of the Village of Hamden, Vinton County, prepared by Perry & Associates, Certified Public Accountants, A.C., 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 Accountants' 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 Accountants' 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 Hamden is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

July 2, 2012

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VILLAGE OF HAMDEN
VINTON COUNTY

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Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA

428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG

1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE

121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT ACCOUNTANTS' REPORT

April 26, 2012

Village of Hamden
Vinton County
PO Box 355
Hamden, Ohio 45634

To the Village Council:

We have audited the accompanying financial statements of the **Village of Hamden**, Vinton 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 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.

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 for the years then ended.

Village of Hamden
Vinton County
Independent Accountant's Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Hamden, Vinton County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village of Hamden 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 April 26, 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.

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." The signature is written in a cursive, flowing style.

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF HAMDEN
VINTON 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>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 27,348	\$ 16,857	\$ -	\$ 44,205
Intergovernmental	37,851	30,382	270,106	338,339
Charges for Services	7,470	580	-	8,050
Fines, Licenses and Permits	250	-	-	250
Earnings on Investments	1,954	167	-	2,121
Miscellaneous	1,743	2,725	-	4,468
Total Cash Receipts	<u>76,616</u>	<u>50,711</u>	<u>270,106</u>	<u>397,433</u>
Cash Disbursements				
Current:				
Security of Persons and Property	27,825	13,387	-	41,212
Public Health Services	170	-	-	170
Leisure Time Activities	-	848	-	848
Transportation	-	34,381	-	34,381
General Government	31,565	-	-	31,565
Capital Outlay	-	-	278,926	278,926
Debt Service:				
Principal Retirement	-	-	20,802	20,802
Interest and Fiscal Charges	-	-	30,105	30,105
Total Cash Disbursements	<u>59,560</u>	<u>48,616</u>	<u>329,833</u>	<u>438,009</u>
Excess of Receipts Over/(Under) Disbursements	<u>17,056</u>	<u>2,095</u>	<u>(59,727)</u>	<u>(40,576)</u>
Other Financing Receipts				
Sale of Notes	-	-	72,572	72,572
Total Other Financing Receipts	<u>-</u>	<u>-</u>	<u>72,572</u>	<u>72,572</u>
Net Change in Fund Cash Balances	17,056	2,095	12,845	31,996
Fund Cash Balances, January 1	<u>143,117</u>	<u>57,065</u>	<u>109,060</u>	<u>309,242</u>
Fund Cash Balances, December 31				
Restricted	-	57,400	121,905	179,305
Committed	-	1,760	-	1,760
Unassigned	160,173	-	-	160,173
Fund Cash Balances, December 31	<u><u>\$ 160,173</u></u>	<u><u>\$ 59,160</u></u>	<u><u>\$ 121,905</u></u>	<u><u>\$ 341,238</u></u>

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

**VILLAGE OF HAMDEN
VINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 420,048
Total Operating Cash Receipts	420,048
Operating Cash Disbursements	
Personal Services	81,149
Employee Fringe Benefits	7,397
Contractual Services	184,182
Supplies and Materials	21,622
Other	5,715
Total Operating Cash Disbursements	300,065
Operating Income	119,983
Non-Operating Receipts/(Disbursements)	
Sale of Notes	128,715
Miscellaneous Receipts	3,802
Principal Retirement	(113,900)
Interest and Other Fiscal Charges	(12,786)
Total Non-Operating Receipts/(Disbursements)	5,831
Net Change in Fund Cash Balances	125,814
Fund Cash Balances, January 1	295,498
Fund Cash Balances, December 31	\$ 421,312

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

**VILLAGE OF HAMDEN
VINTON 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>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$ 27,051	\$ 16,322	\$ -	\$ 43,373
Intergovernmental	35,614	45,103	44,103	124,820
Charges for Services	10,785	-	-	10,785
Fines, Licenses and Permits	475	-	-	475
Earnings on Investments	7,616	685	-	8,301
Miscellaneous	7,606	10,400	-	18,006
Total Cash Receipts	<u>89,147</u>	<u>72,510</u>	<u>44,103</u>	<u>205,760</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	27,130	48,417	-	75,547
Public Health Services	170	-	-	170
Leisure Time Activities	-	1,414	-	1,414
Transportation	-	42,052	-	42,052
General Government	40,612	850	500	41,962
Capital Outlay	4,100	-	213,123	217,223
Debt Service:				
Interest and Fiscal Charges	-	-	44,103	44,103
Total Cash Disbursements	<u>72,012</u>	<u>92,733</u>	<u>257,726</u>	<u>422,471</u>
Total Receipts Over/(Under) Disbursements	<u>17,135</u>	<u>(20,223)</u>	<u>(213,623)</u>	<u>(216,711)</u>
Other Financing Receipts:				
Sale of Notes	-	-	137,045	137,045
Total Other Financing Receipts	<u>-</u>	<u>-</u>	<u>137,045</u>	<u>137,045</u>
Net Change in Fund Cash Balances	<u>17,135</u>	<u>(20,223)</u>	<u>(76,578)</u>	<u>(79,666)</u>
Fund Cash Balances, January 1	125,982	77,288	185,638	388,908
Fund Cash Balances, December 31	<u>\$ 143,117</u>	<u>\$ 57,065</u>	<u>\$ 109,060</u>	<u>\$ 309,242</u>

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

**VILLAGE OF HAMDEN
VINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 442,501
Total Operating Cash Receipts	442,501
Operating Cash Disbursements:	
Personal Services	159,492
Employee Fringe Benefits	7,707
Contractual Services	1,984,575
Supplies and Materials	28,909
Other	2,700
Total Operating Cash Disbursements	2,183,383
Operating Income/(Loss)	(1,740,882)
Non-Operating Cash Receipts/(Disbursements)	
Intergovernmental	1,404,354
Sale of Notes	471,869
Miscellaneous Receipts	5,506
Principal Retirement	(93,011)
Total Non-Operating Cash Receipts/(Disbursements)	1,788,718
Net Change in Fund Cash Balances	47,836
Fund Cash Balances, January 1	247,662
Fund Cash Balances, December 31	\$ 295,498

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

**VILLAGE OF HAMDEN
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Hamden, Vinton County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and trash utilities, park operations, and fire protection services

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

Cash accounts are valued at cost. The Village has certificates of deposit.

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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.

Fire Levy Fund - This fund receives levy money to fund the Hamden Volunteer Fire Department to provide fire protection services to the Village.

**VILLAGE OF HAMDEN
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

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

Sewer Construction Fund – This fund receives grants and loan proceeds to fund a construction of a central sanitary sewer system in the incorporated area of Hamden including the construction of a wastewater treatment facility.

4. Enterprise Funds

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

Water Operating Fund - This fund receives charges for services from residents to cover water service costs. The fund also receives grants and loans for the water and sewer construction projects.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Trash Fund – This fund receives charges for services from residents to cover trash service costs.

Enterprise Debt Service Fund - This fund receives charges for services from residents to pay back debt related to the water and sewer construction projects.

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, function or object level of control and appropriations may not exceed estimated resources. The Village 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.

**VILLAGE OF HAMDEN
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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. The Village did not encumber all commitments required by Ohio law.

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

F. Fund Balance

For December 31, 2011, 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:

1. Nonspendable

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

2. Restricted

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.

3. 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.

4. 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.

5. 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.

**VILLAGE OF HAMDEN
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave

2. Equity in Pooled Deposits

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

	2011	2010
Demand deposits	\$ 652,209	\$ 495,446
Certificates of deposit	110,341	109,294
Total deposits	<u>\$ 762,550</u>	<u>\$ 604,740</u>

Deposits: 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 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 79,101	\$ 76,616	\$ (2,485)
Special Revenue	47,688	50,711	3,023
Capital Projects	365,669	342,678	(22,991)
Enterprise	596,664	552,565	(44,099)
Total	<u>\$ 1,089,122</u>	<u>\$ 1,022,570</u>	<u>\$ (66,552)</u>

**VILLAGE OF HAMDEN
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 77,584	\$ 59,560	\$ 18,024
Special Revenue	52,014	48,616	3,398
Capital Projects	109,061	329,833	(220,772)
Enterprise	756,534	426,751	329,783
Total	<u>\$ 995,193</u>	<u>\$ 864,760</u>	<u>\$ 130,433</u>

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 173,754	\$ 89,147	\$ (84,607)
Special Revenue	59,098	72,510	13,412
Capital Projects	34,717	181,148	146,431
Enterprise	2,713,801	2,324,230	(389,571)
Total	<u>\$ 2,981,370</u>	<u>\$ 2,667,035</u>	<u>\$ (314,335)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 89,132	\$ 72,012	\$ 17,120
Special Revenue	118,826	92,733	26,093
Capital Projects	185,639	257,726	(72,087)
Enterprise	2,590,579	2,276,394	314,185
Total	<u>\$ 2,984,176</u>	<u>\$ 2,698,865</u>	<u>\$ 285,311</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects Sewer Construction Fund for the years ended December 31, 2011 and 2010 respectively.

4. Property Tax

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

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 HAMDEN
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

5. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan - 4535	\$ 2,798,120	1.50%
Ohio Water Development Authority Loan - 5199	495,059	0.00%
Ohio Water Development Authority Loan - 5853	51,770	2.00%
Ohio Water Development Authority Loan - 5907	121,553	1.00%
Ohio Public Works Commission Loan - CO071	356,250	0.00%
	<u>\$ 3,822,752</u>	

The Ohio Water Development Authority (OWDA) loan 4535 relates to the construction of a water and sewer plant expansion project approved by the Ohio Environmental Protection Agency. The OWDA provided \$3,000,000 in loans to the Village for this project in 2006. The Village began repaying this loan in 2009 with semi-annual installments that will last 30 years.

The Ohio Water Development Authority (OWDA) loan 5199 relates to water systems renovations, and included funding received from the Drinking Water Assistance Fund and the American Recovery and Reinvestment Act (ARRA). The project was approved in 2009 by the OWDA with a projected cost of \$2,506,424 with \$1,752,548 in principal forgiveness through ARRA. During the audit period the Village expended \$1,853,675 on the project and \$1,404,354 of the principal was forgiven through ARRA. The Village began repaying the loan in 2010 with semi-annual installments that will last 30 years.

The Ohio Water Development Authority (OWDA) loan 5853 relates to the construction of a Sludge Belt Press to be used in conjunction with the Villages water and sewer plant. The total loan amount approved was \$100,000 plus capitalized interest. The Village originally took out loan 5781 through the OWDA for the Sludge Belt Design in the amount of \$20,802. That loan was paid off with this loan. The Vinton County Commissioners contributed \$240,000 of Appalachian Regional Commission Grant money towards the construction of the Belt Press. At the end of the 2011 the project had not been completed. The Village will begin repaying the loan when the project is completed with semi-annual installments that will last 30 years.

The Ohio Water Development Authority (OWDA) loan 5907 relates to the completion of the water system renovation project. The total loan amount approved was \$223,000 plus capitalized interest. At the end of 2011 the project had not been completed. The Village will begin repaying the loan when the project is completed with semi-annual installments that will last 30 years.

The Ohio Public Works Commission (OPWC) loan relates to the water and sewer maintenance and repair project the Village received funding for through the OWDA. In 2009, the OPWC approved the loan for \$375,000 and a debt repayment grant for \$410,000. The Village began repaying the loan in 2011 with semi-annual installments that will last 20 years.

For all of the loans associated with the water and sewer projects the water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Village acquired a loan through the Department of Commerce- State Fire Marshall's Office for \$150,000 in June of 2006 to fund a portion of the cost of a new fire station. The Village received this money; however the Village entered an agreement wherein the Hamden Volunteer Fire Department will repay the loan principal and interest. There were no problems with this arrangement during the audit period.

**VILLAGE OF HAMDEN
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

5. Debt (Continued)

Amortization of the above debt for which all principal has been disbursed at December 31, 2011, including interest, is scheduled as follows:

Year ending December 31:	OPWC Loan CO071	OWDA Loan # 5199	OWDA Loan # 4535	Total Debt Service Requirements
2012	\$ 9,375	\$ 8,685	\$ 71,861	\$ 89,921
2013	18,750	17,370	142,577	178,697
2014	18,750	17,370	141,051	177,171
2015	18,750	17,370	139,525	175,645
2016	18,750	17,370	137,998	174,118
2017-2021	93,750	86,850	667,098	847,698
2022-2026	93,750	86,850	628,942	809,542
2027-2031	84,375	86,850	590,786	762,011
2032-2036	-	86,850	552,629	639,479
2037-2041	-	69,493	313,258	382,751
Total	<u>\$ 356,250</u>	<u>\$ 495,058</u>	<u>\$ 3,385,725</u>	<u>\$ 4,237,033</u>

The Ohio Water Development Authority Loans numbered 5853 and 5907 amortizations are not included in the above debt service requirements because the projects are not yet complete.

6. Retirement Systems

The Villages employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' 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% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

7. Risk Management

Risk Pool Membership

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**VILLAGE OF HAMDEN
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

7. Risk Management (Continued)

Risk Pool Membership (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village does participate in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC.

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA

428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG

1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE

121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

April 26, 2012

Village of Hamden
Vinton County
PO Box 355
Hamden, Ohio 45634

To the Mayor and Members of Village Council:

We have audited the financial statements of the **Village of Hamden**, Vinton County, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 26, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and has adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit 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 audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 Village's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-002 described in the accompanying schedule of audit findings to be a material weakness.

Compliance and Other Matters

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

We also noted certain other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 26, 2012.

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF HAMDEN
VINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Noncompliance

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

In 2011 and 2010 actual disbursements exceeded appropriations in the Sewer Construction Fund by \$220,772 and \$72,087, respectively.

We recommend the Village Fiscal Officer modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. This includes expenditures for grants and payments made on behalf of the Village even though the no actual money passed through the Villages bank account. The Village Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2011-002

Material Weakness

Posting Receipts and Disbursements

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

During 2011 and 2010, several receipts and expenditures were not posted to accurate classifications based on the source of the receipt or expenditure. The following posting errors were noted:

- Appalachian Regional Commission Grant funds given to the Village from the Vinton County Commissioners was recorded as Special Assessments instead of intergovernmental revenue in the Sewer Construction Fund.
- Debt proceeds were recorded as Intergovernmental Revenue instead of Debt Proceeds in the Sewer Construction and Water Operating Funds
- Loan proceeds not forgiven by the Federal stimulus monies were not recorded as Sales of Notes receipts in the Water Operating Fund.
- Debt interest payments paid on behalf of the Village by a grant awarded by the Ohio Public Works Commission were not recorded.
- Certificates of Deposit not previously recorded in the Village's accounting system were recorded as Miscellaneous Revenue in the General Fund instead of an adjustment to beginning fund balance.

Not posting revenues and expenditures accurately resulted in the financial statements requiring several adjustments and reclassifications. The financial statements reflect all reclassifications and adjustments. Village management agrees with the adjustments, and all adjustments have been made to the Village's accounting system.

VILLAGE OF HAMDEN
VINTON COUNTY

SCHEDULE OF AUDIT FINDINGS (CONTINUED)
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-02 (Continued)

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements. We also recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF HAMDEN
VINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2009-001	Monthly Cash Reconciliation	Yes	
2009-002	Posting of Receipts and Expenditures	No	Repeated as finding 2011-002



Dave Yost • Auditor of State

VILLAGE OF HAMDEN

VINTON 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 17, 2012