



Dave Yost • Auditor of State



VILLAGE OF HAMLER  
HENRY COUNTY

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# Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

December 19, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Hamler  
Henry County  
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, Ohio (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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Hamler, Henry County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1.F, 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 December 19, 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.



**Dave Yost**  
Auditor of State

December 19, 2012



**VILLAGE OF HAMLER  
HENRY COUNTY**

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

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$8,441	\$20,408		\$28,849
Municipal Income Tax	80,284			80,284
Intergovernmental	30,596			30,596
Farm Rent	15,494			15,494
Charges for Services	1,160			1,160
Fines, Licenses and Permits	2,525			2,525
Earnings on Investments	736	961		1,697
Miscellaneous	3,413			3,413
<i>Total Cash Receipts</i>	<u>142,649</u>	<u>21,369</u>		<u>164,018</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	43,524	16,473		59,997
Public Health Services	232			232
Leisure Time Activities	699			699
Basic Utility Services	379			379
Transportation	4,906	10,923		15,829
General Government	221,673			221,673
Debt Service:				
Principal Retirement	26,254			26,254
Interest and Fiscal Charges	2,608			2,608
<i>Total Cash Disbursements</i>	<u>300,275</u>	<u>27,396</u>		<u>327,671</u>
<i>Excess of Disbursements over Receipts</i>	<u>(157,626)</u>	<u>(6,027)</u>		<u>(163,653)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	164,318			164,318
Transfers In		55		55
Transfers Out		(55)		(55)
Other Financing Uses	(1,527)			(1,527)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>162,791</u>			<u>162,791</u>
<i>Net Change in Fund Cash Balances</i>	5,165	(6,027)		(862)
<i>Fund Cash Balances, January 1</i>	<u>69,738</u>	<u>115,508</u>	<u>\$337</u>	<u>185,583</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		109,481	337	109,818
Unassigned	74,903			74,903
<i>Fund Cash Balances, December 31</i>	<u>\$74,903</u>	<u>\$109,481</u>	<u>\$337</u>	<u>\$184,721</u>

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

VILLAGE OF HAMLER  
HENRY COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$263,913</u>
<b>Operating Cash Disbursements</b>	
Personal Services	49,728
Employee Fringe Benefits	17,902
Contractual Services	33,028
Supplies and Materials	<u>86,628</u>
<i>Total Operating Cash Disbursements</i>	<u>187,286</u>
<i>Operating Income</i>	<u>76,627</u>
<b>Non-Operating Disbursements</b>	
Principal Retirement	(26,402)
Interest and Other Fiscal Charges	<u>(79,607)</u>
<i>Total Non-Operating Disbursements</i>	<u>(106,009)</u>
<i>Net Change in Fund Cash Balances</i>	(29,382)
<i>Fund Cash Balances, January 1</i>	<u>217,715</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$188,333</u></u>

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

**VILLAGE OF HAMLER  
HENRY COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>					
Property and Local Taxes	\$7,928				\$7,928
Municipal Income Tax	72,775				72,775
Intergovernmental	34,348	\$20,098			54,446
Farm Rent	15,494				15,494
Charges for Services	1,765				1,765
Fines, Licenses and Permits	2,378				2,378
Earnings on Investments	1,427	714			2,141
Miscellaneous	2,956				2,956
<i>Total Cash Receipts</i>	<u>139,071</u>	<u>20,812</u>			<u>159,883</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	44,875	15,507			60,382
Public Health Services	636				636
Leisure Time Activities	600				600
Basic Utility Service	1,737				1,737
Transportation	11,199	26,040			37,239
General Government	62,657				62,657
Debt Service:					
Redemption of Principal	23,126				23,126
Interest and Fiscal Charges	1,748				1,748
Capital Outlay				\$5,019	5,019
<i>Total Cash Disbursements</i>	<u>146,578</u>	<u>41,547</u>		<u>5,019</u>	<u>193,144</u>
<i>Excess of Disbursements over Receipts</i>	<u>(7,507)</u>	<u>(20,735)</u>		<u>(5,019)</u>	<u>(33,261)</u>
<b>Other Financing Receipts (Disbursements):</b>					
Proceeds from Sale of Public Debt:					
Advances-In	20,179				20,179
Advances-Out				(20,179)	(20,179)
Other Financing Uses	(2,236)				(2,236)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>17,943</u>			<u>(20,179)</u>	<u>(2,236)</u>
<i>Net Change in Fund Cash Balances</i>	10,436	(20,735)		(25,198)	(35,497)
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>59,302</u>	<u>136,243</u>	<u>\$337</u>	<u>\$25,198</u>	<u>221,080</u>
<i>Fund Cash Balances, December 31</i>	<u>\$69,738</u>	<u>\$115,508</u>	<u>\$337</u>		<u>\$185,583</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$2,217</u>				<u>\$2,217</u>

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

VILLAGE OF HAMLER  
HENRY COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$267,285</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	56,718
Employee Fringe Benefits	7,780
Contractual Services	40,518
Supplies and Materials	<u>77,750</u>
<i>Total Operating Cash Disbursements</i>	<u>182,766</u>
<i>Operating Income</i>	<u>84,519</u>
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	(26,021)
Interest and Other Fiscal Charges	<u>(77,945)</u>
<i>Total Non-Operating Disbursements</i>	<u>(103,966)</u>
<i>Net Change in Fund Cash Balances</i>	(19,447)
<i>Fund Cash Balances, January 1</i>	<u>237,162</u>
<i>Fund Cash Balances, December 31</i>	<u>\$217,715</u>
Reserve for Encumbrances, December 31	<u>\$1,454</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, 2011 AND 2010  
(Continued)**

**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 Hamler, Henry County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates General Fund money to support a volunteer fire department.

The Township participates in the Ohio Government Risk Management Plan public entity risk pool. Note 9 to the financial statements provides additional information for this entity.

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

The Village values certificates of deposit at cost

**D. Fund Accounting**

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

**1. General Fund**

The General Fund 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 Fund:

**VILLAGE OF HAMLER  
HENRY COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

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 Fund**

This fund accounts for resources the Village accumulates to pay bond and note debt.

**4. 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:

Hamler Reservoir Improvement Fund – This fund receives grant revenue for improvements to the reservoir.

**5. 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 Fund - This fund receives charges for services from residents and commercial users to cover water service costs.

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

Enterprise Debt Service Reserve Fund - This fund receives charges for services from residents and commercial users to pay debt incurred for the operation and improvement of the water and sewer systems.

**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. Unencumbered appropriations lapse at year end.

VILLAGE OF HAMLER  
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

2. **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

F. **Fund Balance**

For 2011, the Village implemented Governmental Accounting Standards Board (GASB) No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which had no effect on fund balances. Under GASB No. 54, 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.

**VILLAGE OF HAMLER  
HENRY COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**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.

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. Prior Period Restatement**

For 2010, the Village voided several long outstanding checks that had not been redeemed. This had the following effect on fund balance previously reported:

	Fund Balance at December 31, 2009	Change in Balance	Adjusted Fund Balance at January 1, 2010
General	\$49,444	\$9,858	\$59,302

**3. Equity in Pooled Deposits**

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$217,727	\$255,690
Certificates of Deposit	155,327	147,608
Total deposits and investments	<u>\$373,054</u>	<u>\$403,298</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village;



**VILLAGE OF HAMLER  
HENRY COUNTY**

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

**4. Budgetary Activity**

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

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$118,720	\$306,967	\$188,247
Special Revenue	25,450	21,424	(4,026)
Enterprise	249,100	263,913	14,813
Total	\$393,270	\$592,304	\$199,034

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$153,242	\$301,802	(\$148,560)
Special Revenue	77,000	27,451	49,549
Enterprise	293,743	293,295	448
Total	\$523,985	\$622,548	(\$98,563)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$119,670	\$159,250	\$39,580
Special Revenue	25,450	20,812	(4,638)
Enterprise	244,150	267,285	23,135
Total	\$389,270	\$447,347	\$58,077

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$157,792	\$151,031	\$6,761
Special Revenue	67,675	41,547	26,128
Capital Projects	25,195	25,198	(3)
Enterprise	264,999	288,186	(23,187)
Total	\$515,661	\$505,962	\$9,699

Contrary to Ohio law, ninety-five percent of the expenditures tested were not certified by the Fiscal Officer in 2011 and 2010. Also, contrary to Ohio law, disbursement exceeded appropriations in the General Fund in 2011.

**VILLAGE OF HAMLER  
HENRY COUNTY**

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

**5. 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.

**6. Local Income Tax**

The Village levies a municipal income tax of one 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.

**7. Debt**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	\$1,788,000	4.25%
Ohio Public Works Commission Loan CE12F	8,505	
Ohio Public Works Commission Loan CD28G	<u>38,280</u>	
Total	<u><u>\$1,834,785</u></u>	

The Mortgage Revenue Bonds are to be repaid on December 31, 2045, with an annual interest rate of 4.25%. The loan was issued in 2005 for a total of \$1,915,000. The loan will be repaid in annual installments.

The Ohio Public Works Commission (OPWC) Loan CE12F 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 \$1,701 over 10 years.

The Ohio Public Works Commission (OPWC) Loan CE28G relates to the railroad street drainage improvement project. The OPWC has approved \$52,000 in an interest free loan to the Village for this project. The loan will be repaid in semiannual installments of \$1,320 over 20 years.

**VILLAGE OF HAMLER  
HENRY COUNTY**

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

**7. Debt (Continued)**

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

Year ending December 31:	USDA Mortgage Revenue Bonds	OPWC Loan CE12F	OPWC LOAN CE28G
2012	\$99,990	\$3,402	\$2,640
2013	99,970	3,402	2,640
2014	100,908	1,701	2,640
2015	100,760		2,640
2016	99,570		2,640
2017-2021	500,810		13,200
2022-2026	502,858		11,880
2027-2031	503,193		
2032-2036	500,860		
2037-2041	503,288		
2042-2044	300,843		
Total	<u>\$3,313,050</u>	<u>\$8,505</u>	<u>\$38,280</u>

**8. Retirement System**

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this 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% 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.

**9. Risk Management**

Prior to 2009, the Township 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 HAMLER  
HENRY COUNTY**

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

**9. Risk Management (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 coverages 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 Township participates 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 Township participates 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	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

VILLAGE OF HAMLER  
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

**10. Subsequent Events**

In 2012, the Village was approved for a \$55,780 loan from the Ohio Public Works Commission for fire hydrant and valve replacement. This is a 30 year interest free loan with annual payments of \$1,860 starting in 2014.

In 2011, the Village was approved for a Community Development Block Grant through Henry County in the amount of \$24,900 for sidewalk improvements. As of December 31, 2011, no grant monies had been received or disbursed.

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# Dave Yost • Auditor of State

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

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

To the Members of Council:

We have audited the financial statements of the Village of Hamler, Henry County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated December 19, 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 the Village adopted Governmental Accounting Standards Board Statement No. 54 in 2011. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

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 2011-003 and 2011-005 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2011-004 described in the accompanying schedule of findings to be a significant deficiency.

### **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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001, 2011-002, and 2011-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 19, 2012.

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



**Dave Yost**  
Auditor of State

December 19, 2012



VILLAGE OF HAMLER  
HENRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-001

**Noncompliance Citation**

**Ohio Revised Code, § 5705.41(D)(1)**, prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the clerk is attached thereto. The fiscal officer must certify 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. Further, contracts and order for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above where 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 both at the time the contract or order was made ("then"), and at the time the clerk is completing the certification ("now"), 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 the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of 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 clerk 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 line item appropriation.

Ninety-five percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2011-001  
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure 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 the Fiscal Officer certify the 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 Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders which include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2011-002**

**Noncompliance Citation**

**Ohio Revised Code, § 5705.41(B)**, provides that no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

Expenditures exceeded appropriations in the General Fund in 2011 by \$148,560.

We recommend no expenditures be made unless the money has been lawfully appropriated and Council periodically reviews appropriations to ensure they are sufficient to support Village expenditures.

**FINDING NUMBER 2011-003**

**Material Weakness**

**Monitoring Controls**

Effective monitoring of the Village's financial activity by the governing board is necessary. Review of financial data on a regular basis is an important tool to help ensure financial data is accurately accounted for in the Village's accounting ledgers. The Council should review year end information to determine whether the data accurately represents the financial activity for the entire year.

The lack of monitoring by Council contributed to the failure to detect inaccurate posting of transactions to the financial statements, such as the following:

- Proceeds from the sale of gas lines in the amount of \$164,318 were misclassified as taxes in the General Fund in 2011.
- Fund balances of the Street, Construction, Maintenance and Repair Fund and Permissive Motor Vehicle License Funds in 2011, in total of \$87,141, were misclassified as nonspendable instead of restricted, and the fund balance of the State Highway Fund in the amount of \$22,340 was misclassified as assigned instead of restricted.
- Principal and interest debt payments in the General Fund of \$26,254 and \$2,608, respectively in 2011 and \$23,126 and \$1,748, respectively in 2010 were misclassified as Other Financing Uses.
- The return of a prior year advance in the General Fund for \$19,979 was incorrectly deducted from beginning fund balance in 2010.

**FINDING NUMBER 2011-003  
(Continued)**

- Double posting of receipts resulted in overstating income tax revenues in the General Fund in 2011 by \$7,469 and charges for services revenue in the Water Fund, Sewer Fund, and Enterprise Debt Service Fund in 2010 by amounts of \$8,231, \$6,010 and \$9,951, respectively.

Adjusting entries in amounts up to \$164,318 were posted to the financial statements and where applicable, to the accounting records to correct these and other errors.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village Council should adopt policies and procedures, including a final review of the financial statements, and notes to the financial statements to identify and correct errors and omissions.

**FINDING NUMBER 2011-004**

**Significant Deficiency**

**Cash Reconciliations**

Prior to closing out the financial records each month, the bank account balances should be reconciled to the combined fund balances. This procedure is an important method of detecting errors in the financial records and bank account records. After this procedure is completed any errors found should be immediately corrected, the financial records closed, and month end financial information generated by the Fiscal Officer.

Reconciliations for all months during the audit period, except for September and December 2011, contained significant unresolved reconciling items between the amounts of \$160 and \$22,437 shown as Other Adjusting Factors on the cash reconciliations. These Other Adjusting Factors were usually the result of the Fiscal Officer posting activity before or after it actually occurred.

Also, the Village's utilities bank account balance is not included in the monthly cash reconciliation. Furthermore, the Fiscal Officer does not always transfer the monies from the utility bank account to the regular account as received. This does not allow for a complete reconciliation of all bank accounts and could allow for irregularities to occur and not be detected.

We recommend the Fiscal Officer present evidence to Council which indicates all bank balances have been reconciled to the cash journal fund balances each month without significant other adjusting factors on the reconciliation. The Fiscal Officer should also transfer monies from the utility account as received. The finance committee should then periodically verify items appearing on the monthly bank reconciliation, including, but not limited to authentication of outstanding checks and deposits in transit and the inclusion of the utility bank account.

**FINDING NUMBER 2011-005**

**Noncompliance Citation/Material Weakness**

**Ohio Revised Code, § 5705.10**, requires all revenue derived from a special levy shall be credited to a special fund for which the levy was made, and all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Furthermore, money paid into any fund must be used only for the purposes for which such fund is established.

In fiscal year 2010, intergovernmental receipts of \$9,802 due to the Street Construction Maintenance Repair Fund were incorrectly recorded in the State Highway fund.

**FINDING NUMBER 2011-005  
(Continued)**

As a result, the Village's financial statements did not correctly reflect the financial activity of the Village. The Village's financial statements and accounting records have been adjusted so these transactions are reflected in the proper funds.

These situations could result in monies being used for purposes other than those prescribed by law. Furthermore, inaccurate posting of transactions impedes the ability of management officials to accurately assess the financial status of the Township.

We recommend financial transactions be included in the proper fund and account codes, as specified in the Ohio Township Handbook issued by the Auditor of State.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF HAMLER  
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
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; <b><i>Explain</i></b>
2009-001	Ohio Revised Code § 5705.41(D), for not properly certifying expenditures.	No	Finding has not been corrected and is repeated in this report as Finding 2011-001.
2009-002	Ohio Revised Code § 5705.38 and 5705.41(B), for not approving appropriations and expenditures exceeding appropriations.	No	This finding has been partially corrected and is repeated in this report as Finding 2011-002.
2009-003	Ohio Revised Code § 731.14, for lack of competitive bidding.	Yes	
2009-004	Material Weakness for improved monitoring Financial Activity.	No	Finding has not been corrected and is repeated in this report as Finding 2011-003.
2009-005	Significant Deficiency to improve cash reconciliation process.	No	Finding has not been corrected and is repeated in this report as Finding 2011-004.

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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  
JANUARY 3, 2013