

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012**



Dave Yost • Auditor of State

Village Council
Village of Hammersville
PO Box 146
Hammersville, Ohio 45130

We have reviewed the *Independent Auditor's Report* of the Village of Hammersville, Brown County, prepared by Bastin & Company, LLC, for the audit period January 1, 2012 through December 31, 2013. 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.

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 Hammersville is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 11, 2014

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**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Village of Hamersville
Brown County
P.O. Box 146
Hamersville, Ohio 45130

To the Members of Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Hamersville, Brown County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S Generally Accepted Accounting Principle

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Hamersville, Brown County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Bastin & Company, L L C

Cincinnati, Ohio
June 25, 2014

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 3,793	\$ 10,416	\$ 14,209
Intergovernmental Receipts	4,281	23,008	27,289
Licenses, Permits, and Fees	9,695	-	9,695
Earnings on Investments	584	36	620
Miscellaneous	<u>20,254</u>	<u>2,153</u>	<u>22,407</u>
 Total Cash Receipts	 <u>38,607</u>	 <u>35,613</u>	 <u>74,220</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	16,251	9,538	25,789
Transportation	-	14,356	14,356
General Government	<u>21,118</u>	<u>-</u>	<u>21,118</u>
 Total Cash Disbursements	 <u>37,369</u>	 <u>23,894</u>	 <u>61,263</u>
 Receipts Over (Under) Disbursements	 1,238	 11,719	 12,957
 Fund Cash Balances, January 1	 <u>25,726</u>	 <u>108,072</u>	 <u>133,798</u>
 Fund Cash Balances, December 31			
Restricted	8,772	119,791	128,563
Unassigned	<u>18,192</u>	<u>-</u>	<u>18,192</u>
 Fund Cash Balances, December 31	 <u><u>\$ 26,964</u></u>	 <u><u>\$ 119,791</u></u>	 <u><u>\$ 146,755</u></u>

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

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCES (CASH BASIS) - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 857,230	\$ -	\$ 857,230
Total Operating Cash Receipts	<u>857,230</u>	<u>-</u>	<u>857,230</u>
Operating Cash Disbursements:			
Personal Services	80,468	-	80,468
Fringe Benefits	16,307	-	16,307
Contractual Services	532,246	-	532,246
Supplies and Materials	98,479	-	98,479
Total Operating Cash Disbursements	<u>727,500</u>	<u>-</u>	<u>727,500</u>
Operating Income	<u>129,730</u>	<u>-</u>	<u>129,730</u>
Non-Operating Cash Receipts:			
Special Assessments	35,924	-	35,924
Other Non-Operating Receipts	-	11,988	11,988
Total Non-Operating Cash Receipts	<u>35,924</u>	<u>11,988</u>	<u>47,912</u>
Non-Operating Cash Disbursements:			
Debt Service - Principal	30,000	-	30,000
Debt Service - Interest	45,669	-	45,669
Other Non-Operating Disbursements	-	11,501	11,501
Total Non-Operating Cash Disbursements	<u>75,669</u>	<u>11,501</u>	<u>87,170</u>
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	89,985	487	90,472
Transfers-In	75,669	-	75,669
Transfers-Out	<u>(75,669)</u>	<u>-</u>	<u>(75,669)</u>
Net Receipts Over (Under) Disbursements	89,985	487	90,472
Fund Cash Balances, January 1	<u>1,151,980</u>	<u>832</u>	<u>1,152,812</u>
Fund Cash Balances, December 31	<u>\$ 1,241,965</u>	<u>\$ 1,319</u>	<u>\$ 1,243,284</u>

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

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 4,273	\$ 10,622	\$ 14,895
Intergovernmental Receipts	11,249	19,779	31,028
Licenses, Permits, and Fees	11,412	-	11,412
Earnings on Investments	555	28	583
Miscellaneous	15,404	-	15,404
	<u>42,893</u>	<u>30,429</u>	<u>73,322</u>
Total Cash Receipts			
	<u>42,893</u>	<u>30,429</u>	<u>73,322</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	17,828	5,922	23,750
Public Health Services	1,110	-	1,110
Transportation	-	16,203	16,203
General Government	22,973	-	22,973
	<u>41,911</u>	<u>22,125</u>	<u>64,036</u>
Total Cash Disbursements			
	<u>41,911</u>	<u>22,125</u>	<u>64,036</u>
Receipts Over (Under) Disbursements	982	8,304	9,286
Fund Cash Balances, January 1	<u>24,744</u>	<u>99,768</u>	<u>124,512</u>
Fund Cash Balances, December 31			
Restricted	8,772	108,072	116,844
Unassigned	16,954	-	16,954
	<u>25,726</u>	<u>108,072</u>	<u>133,798</u>
Fund Cash Balances, December 31			
	<u>\$ 25,726</u>	<u>\$ 108,072</u>	<u>\$ 133,798</u>

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

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCES (CASH BASIS) - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 838,163	\$ -	\$ 838,163
Total Operating Cash Receipts	838,163	-	838,163
Operating Cash Disbursements:			
Personal Services	82,321	-	82,321
Fringe Benefits	20,652	-	20,652
Contractual Services	533,912	-	533,912
Supplies and Materials	75,480	-	75,480
Total Operating Cash Disbursements	712,365	-	712,365
Operating Income	125,798	-	125,798
Non-Operating Cash Receipts:			
Special Assessments	38,003	-	38,003
Other Non-Operating Receipts	-	12,656	12,656
Total Non-Operating Cash Receipts	38,003	12,656	50,659
Non-Operating Cash Disbursements:			
Debt Service - Principal	30,000	-	30,000
Debt Service - Interest	47,394	-	47,394
Other Non-Operating Disbursements	-	13,053	13,053
Total Non-Operating Cash Disbursements	77,394	13,053	90,447
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	86,407	(397)	86,010
Transfers-In	77,394	-	77,394
Transfers-Out	(77,394)	-	(77,394)
Net Receipts Over (Under) Disbursements	86,407	(397)	86,010
Fund Cash Balances, January 1	1,065,573	1,229	1,066,802
Fund Cash Balances, December 31	\$ 1,151,980	\$ 832	\$ 1,152,812

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

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 Hamersville, Brown County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, electric, refuse, road maintenance and police protection services.

The Village participates in Public Entities Pool of Ohio (PEP), a public entity risk-sharing pool. Note 7 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 records money market mutual funds at share values the mutual funds report.

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.

VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

2. Special Revenue Funds

These funds account for proceeds from specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

3. 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 to cover water service costs.

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

Garbage Operating Fund - This fund receives charges for services from residents to cover garbage service costs.

Electric Operating Fund - This fund receives charges for services from residents to cover electric service costs.

4. Fiduciary Fund (Agency Fund)

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

Mayor's Court Fund - This fund receives fines collected by Mayor's Court which are distributed to the Village and State.

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

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.

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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.

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.

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2013	2012
Demand deposits	\$1,269,163	\$1,165,734
Total deposits	1,269,163	1,165,734
Money Market Mutual Funds	120,876	120,876
Total investments	120,876	120,876
Total deposits and investments	\$1,390,039	\$1,286,610

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

Investments: Investments in money market mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$ 39,010	\$ 38,607	\$ (403)
Special Revenue	36,025	35,613	(412)
Enterprise	922,744	968,823	46,079
Total	\$ 997,779	\$ 1,043,043	\$ 45,264

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$ 51,477	\$ 37,369	\$ 14,108
Special Revenue	132,666	23,894	108,772
Enterprise	1,758,856	878,838	880,018
Total	\$ 1,942,999	\$ 940,101	\$ 1,002,898

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 41,735	\$ 42,893	\$ 1,158
Special Revenue	27,195	30,429	3,234
Enterprise	973,094	953,560	(19,534)
Total	\$ 1,042,024	\$ 1,026,882	\$ (15,142)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 57,623	\$ 41,911	\$ 15,712
Special Revenue	124,330	22,125	102,205
Enterprise	1,725,562	867,153	858,409
Total	\$ 1,907,515	\$ 931,189	\$ 976,326

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.

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

5. DEBT

Debt outstanding at December 31, 2013 was as follows:

Sewer System Mortgage Revenue Bonds	Principal \$740,000	Interest Rate 5.5 - 6.0%
Total	\$740,000	

During 2001, the Village issued Sewer System Mortgage Revenue Bonds in the amount of \$1,000,000. Proceeds from the bonds were used to refund previously issued temporary bonds that funded the construction of the Village's sewer system. The Bonds carry an interest rate of 5.5 to 6.0 percent. The Bonds mature in varying amounts through December 31, 2031.

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

Year Ending December 31:	Mortgage Revenue Bonds
2014	\$ 73,944
2015	77,219
2016	75,206
2017	73,194
2018	66,138
2019-2023	327,443
2024-2028	323,900
2029-2031	190,700
Total	\$1,207,744

6. RETIREMENT SYSTEMS

All Village employees 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 2013 and 2012, 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, 2013.

7. RISK POOL MEMBERSHIP

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	2012	2011
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Assets	\$20,181,216	\$19,175,131

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012 the Village's share of these unpaid claims collectible in future years is approximately \$13,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2013	\$14,871
2012	13,984

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Bastin & Company, LLC

Certified Public Accountants

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

Village of Hamersville
Brown County
P.O. Box 146
Hamersville, Ohio 45130

To the Members of Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Hamersville, Brown County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent, or detect and timely correct a material misstatement of the Village's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 25, 2014

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

There were no findings reported in the prior audit report.

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Dave Yost • Auditor of State

VILLAGE OF HAMERSVILLE

BROWN 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
AUGUST 21, 2014**