

VILLAGE OF HAMERSVILLE, OHIO
BROWN COUNTY

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**



Dave Yost • Auditor of State

Village Council
Village of Hamersville
130 West Main Street
Hamersville, Ohio 45130

We have reviewed the *Independent Auditor's Report* of the Village of Hamersville, Brown County, prepared by Bastin & Company, LLC, for the audit period January 1, 2016 through December 31, 2017. 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 Hamersville is responsible for compliance with these laws and regulations.

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Dave Yost
Auditor of State

July 25, 2018

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VILLAGE OF HAMERSVILLE, OHIO
BROWN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report.....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2017.....	4
Notes to the Financial Statements for the Year Ended December 31, 2017	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016.....	13
Combined Statement of Receipts, Disbursements, and Changes in Fund Balance (Regulatory Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2016.....	14
Notes to the Financial Statements for the Year Ended December 31, 2016	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25

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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 Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Hamersville, Brown County, (the Village), as of and for the years ended December 31, 2017 and 2016.

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 opinions.

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

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2017 and 2016, 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 as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018, 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.

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

Cincinnati, Ohio
June 22, 2018

Village of Hamersville, Ohio
Brown County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 4,114	\$ 11,179	\$ 15,293
Intergovernmental	8,766	22,708	31,474
Fines, Licenses and Permits	44,195	-	44,195
Earnings on Investments	3,985	126	4,111
Miscellaneous	20,433	3,703	24,136
<i>Total Cash Receipts</i>	<u>81,493</u>	<u>37,716</u>	<u>119,209</u>
Cash Disbursements			
Current:			
Security of Persons and Property	47,996	14,495	62,491
Public Health Services	500	-	500
Transportation	-	24,696	24,696
General Government	30,578	1,177	31,755
<i>Total Cash Disbursements</i>	<u>79,074</u>	<u>40,368</u>	<u>119,442</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	2,419	(2,652)	(233)
<i>Fund Cash Balances, January 1</i>	<u>10,244</u>	<u>103,197</u>	<u>113,441</u>
Fund Cash Balances, December 31			
Restricted	-	100,545	100,545
Assigned	9,937	-	9,937
Unassigned (Deficit)	2,726	-	2,726
<i>Fund Cash Balances, December 31</i>	<u>\$ 12,663</u>	<u>\$ 100,545</u>	<u>\$ 113,208</u>

See accompanying notes to the basic financial statements

Village of Hamersville, Ohio
Brown County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$ 796,997	\$ -	\$ 796,997
Fines, Licenses and Permits	22,455	-	22,455
<i>Total Operating Cash Receipts</i>	<u>819,452</u>	<u>-</u>	<u>819,452</u>
Operating Cash Disbursements			
Personal Services	96,994	-	96,994
Employee Fringe Benefits	19,259	-	19,259
Contractual Services	632,815	-	632,815
Supplies and Materials	70,021	-	70,021
Other	62,972	-	62,972
<i>Total Operating Cash Disbursements</i>	<u>882,061</u>	<u>-</u>	<u>882,061</u>
<i>Operating Income (Loss)</i>	<u>(62,609)</u>	<u>-</u>	<u>(62,609)</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	34,359	-	34,359
Earnings on Investments	2,154	-	2,154
Capital Outlay	(46,386)	-	(46,386)
Principal Retirement	(35,000)	-	(35,000)
Interest and Other Fiscal Charges	(38,064)	-	(38,064)
Miscellaneous Receipts	17,545	-	17,545
Other Financing Sources	-	61,642	61,642
Other Financing Uses	-	(59,056)	(59,056)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(65,392)</u>	<u>2,586</u>	<u>(62,806)</u>
<i>Income (Loss) before Transfers</i>	(128,001)	2,586	(125,415)
Transfers-In	79,331	-	79,331
Transfers-Out	(79,331)	-	(79,331)
<i>Net Change in Fund Cash Balances</i>	(128,001)	2,586	(125,415)
<i>Fund Cash Balances, January 1</i>	<u>977,906</u>	<u>12,845</u>	<u>990,751</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 849,905</u>	<u>\$ 15,431</u>	<u>\$ 865,336</u>

See accompanying notes to the basic financial statements

Village of Hamersville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of Hamersville (the Village), Brown County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, electric, refuse, street maintenance and police protection services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of 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 accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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.

Village of Hamersville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

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

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

Bond Retirement Fund The Bond Retirement Fund receives transfers in from the Sewer Operating Fund and is used to repay Sewer System Mortgage Revenue Bonds.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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's agency funds account for unclaimed monies and the financial activity of the Village Mayor's Court.

Basis of Accounting

These financial statements follow 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). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Village of Hamersville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 2017 budgetary activity appears in Note 3.

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.

Capital Assets

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

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.

Fund Balance

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

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

Restricted 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.

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

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

Village of Hamersville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$69,900	\$81,493	\$ 11,593
Special Revenue	35,145	37,716	2,571
Enterprise	940,450	952,841	12,391
Total	\$ 1,045,495	\$ 1,072,050	\$ 26,555

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 80,144	\$ 79,074	\$ 1,070
Special Revenue	136,206	40,368	95,838
Enterprise	1,603,531	1,115,842	487,689
Total	\$ 1,819,881	\$ 1,235,284	\$ 584,597

Village of Hamersville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – 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:

	<u>2017</u>
Demand deposits	\$868,964
Certificate of deposit	<u>84</u>
Total deposits	<u>869,048</u>
Money market mutual funds	<u>109,496</u>
Total investments	<u>109,496</u>
Total deposits and investments	<u>\$978,544</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation, or collateralized through the Ohio Pooled Collateral System (OPCS).

Investments

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

Note 5 – Taxes

Property Taxes

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.

Village of Hamersville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Risk Management

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 Insurance Services Group, Inc. (York) 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 York. 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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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 auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017:

	<u>2017</u>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Assets	<u>\$31,448,315</u>

At December 31, 2017 the liabilities above include approximately 11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool’s membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, 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.

2017 Contributions to PEP
\$19,919

Village of Hamersville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's 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 2017, 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, 2017.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Mortgage Revenue Bonds	<u>\$ 605,000</u>	5.5% - 6.0%
Total	<u><u>\$ 605,000</u></u>	

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 range of 5.5 to 6.0 percent. The bonds mature in varying amounts through December 31, 2031.

Village of Hamersville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

<u>Year ending December 31:</u>	Sewer System Mortgage Revenue Bonds
2018	\$ 66,137
2019	64,375
2020	67,612
2021	65,556
2022	63,500
2023-2027	327,100
2028-2031	<u>253,900</u>
Total	<u>\$ 908,180</u>

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Village of Hamersville, Ohio
Brown County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 3,830	\$ 10,204	\$ 14,034
Intergovernmental	8,393	22,819	31,212
Fines, Licenses and Permits	29,707	-	29,707
Earnings on Investments	1,460	136	1,596
Miscellaneous	20,014	1,328	21,342
<i>Total Cash Receipts</i>	<u>63,404</u>	<u>34,487</u>	<u>97,891</u>
Cash Disbursements			
Current:			
Security of Persons and Property	32,842	13,265	46,107
Public Health Services	500	-	500
Transportation	-	27,331	27,331
General Government	28,785	559	29,344
<i>Total Cash Disbursements</i>	<u>62,127</u>	<u>41,155</u>	<u>103,282</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	1,277	(6,668)	(5,391)
<i>Fund Cash Balances, January 1</i>	<u>8,967</u>	<u>109,865</u>	<u>118,832</u>
Fund Cash Balances, December 31			
Restricted	-	103,197	103,197
Assigned	21,207	-	21,207
Unassigned (Deficit)	<u>(10,963)</u>	<u>-</u>	<u>(10,963)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 10,244</u>	<u>\$ 103,197</u>	<u>\$ 113,441</u>

See accompanying notes to the basic financial statements

Village of Hamersville, Ohio
Brown County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$ 812,056	\$ -	\$ 812,056
Fines, Licenses and Permits	21,145	-	21,145
<i>Total Operating Cash Receipts</i>	<u>833,201</u>	<u>-</u>	<u>833,201</u>
Operating Cash Disbursements			
Personal Services	88,404	-	88,404
Employee Fringe Benefits	19,278	-	19,278
Contractual Services	600,099	-	600,099
Supplies and Materials	54,611	-	54,611
Other	42,687	-	42,687
<i>Total Operating Cash Disbursements</i>	<u>805,079</u>	<u>-</u>	<u>805,079</u>
<i>Operating Income (Loss)</i>	<u>28,122</u>	<u>-</u>	<u>28,122</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	34,139	-	34,139
Earnings on Investments	3,732	-	3,732
Capital Outlay	(61,082)	-	(61,082)
Principal Retirement	(35,000)	-	(35,000)
Interest and Other Fiscal Charges	(40,206)	-	(40,206)
Miscellaneous Receipts	912	-	912
Other Financing Sources	-	41,733	41,733
Other Financing Uses	-	(39,061)	(39,061)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(97,505)</u>	<u>2,672</u>	<u>(94,833)</u>
<i>Income (Loss) before Transfers</i>	(69,383)	2,672	(66,711)
Transfers-In	80,021	-	80,021
Transfers-Out	(80,021)	-	(80,021)
<i>Net Change in Fund Cash Balances</i>	(69,383)	2,672	(66,711)
<i>Fund Cash Balances, January 1</i>	<u>1,047,289</u>	<u>10,173</u>	<u>1,057,462</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 977,906</u>	<u>\$ 12,845</u>	<u>\$ 990,751</u>

See accompanying notes to the basic financial statements

Village of Hamersville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The Village of Hamersville (the Village), Brown County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, electric, refuse, street maintenance and police protection services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of 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 accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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.

Village of Hamersville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

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

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

Bond Retirement Fund The Bond Retirement Fund receives transfers in from the Sewer Operating Fund and is used to repay Sewer System Mortgage Revenue Bonds.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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's agency funds account for unclaimed monies and the financial activity of the Village Mayor's Court.

Basis of Accounting

These financial statements follow 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). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Village of Hamersville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 2016 budgetary activity appears in Note 3.

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.

Capital Assets

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

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.

Fund Balance

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

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

Restricted 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.

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

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

Village of Hamersville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 56,775	\$ 63,404	\$ 6,629
Special Revenue	31,344	34,487	3,143
Enterprise	949,682	952,005	2,323
Total	\$ 1,037,801	\$ 1,049,896	\$ 12,095

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 65,742	\$ 62,127	\$ 3,615
Special Revenue	139,064	41,155	97,909
Enterprise	1,679,719	1,054,388	625,331
Total	\$ 1,884,525	\$ 1,157,670	\$ 726,855

Village of Hamersville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – 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:

	<u>2016</u>
Demand deposits	\$995,239
Certificate of deposit	<u>84</u>
Total deposits	<u>995,323</u>
Money market mutual funds	<u>108,869</u>
Total investments	<u>108,869</u>
Total deposits and investments	<u>\$1,104,192</u>

Deposits

Deposits are 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.

Note 5 – Taxes

Property Taxes

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.

Village of Hamersville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Risk Management

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 Insurance Services Group, Inc. (York) 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 York. 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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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 auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016:

	<u>2016</u>
Assets	<u>\$42,182,281</u>
Liabilities	<u>(13,396,700)</u>
Net Assets	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool’s membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government’s share of these unpaid claims collectible in future years was approximately \$11,000.

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.

2016 Contributions to PEP
\$17,682

Village of Hamersville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's 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 2016, 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, 2016.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Mortgage Revenue Bonds	<u>\$ 640,000</u>	5.5% - 6.0%
Total	<u><u>\$ 640,000</u></u>	

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 range of 5.5 to 6.0 percent. The bonds mature in varying amounts through December 31, 2031.

Village of Hamersville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

<u>Year ending December 31:</u>	<u>Sewer System Mortgage Revenue Bonds</u>
2017	\$ 73,194
2018	66,137
2019	64,375
2020	67,612
2021	65,556
2022-2026	324,400
2027-2031	<u>320,100</u>
Total	<u><u>\$ 981,374</u></u>

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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 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 cash balances, receipts, and disbursements by fund type of the Village of Hamersville, Brown County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 22, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Controls 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 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings, that we consider a material weakness. We consider finding 2017-01 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, 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*.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 22, 2018

Village of Hamersville, Ohio
Brown County
Schedule of Findings
December 31, 2017 and 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2017-01 – Audit Adjustments

Material Weakness - Financial Reporting

The following audit adjustments were made to the financial statements that were not initially identified by the Village's internal control:

- During 2016 and 2017, the Village presented the Bond Retirement Fund within the Debt Service Fund type. This fund accounts for debt related activities that benefit the Sewer Enterprise Fund. As a result, activities of this fund have been reclassified and presented within the Enterprise Fund type. In addition, the draft financial statements presented for audit contained a Private Purpose Trust Fund. This fund was used in the past for the collection of revenues to support the Village's fall festival activities. Since the funds are not restricted by a trust agreement for the benefit of others the cash fund balance of this fund has been reclassified and presented within the Special Revenue Fund type.
- Adjustments totaling \$15,650 related to audits conducted for years prior to 2016, were posted and initially reported by the Village as adjustments to the opening balances for 2017 in the Enterprise Fund type. These adjustments should have been recorded as of the beginning of 2016. Corrections to the financial statements have been made to properly report the effect of these adjustments to the opening balances.
- Bank reconciliations prepared by the Village did not consider changes to balances in various debt related trust accounts. As a result, the Village's financial records did not reflect all interest earnings. Adjustments were required to properly report interest income for 2016 and 2017 within the Enterprise Fund type totaling \$3,732 and \$624, respectively.
- For 2016 and 2017 operating disbursements within the Enterprise Fund type totaling \$73,802 and \$70,101, respectively, were initially reported by the Village as contractual services or other operating disbursements. These items were reclassified to proper line items such as capital outlay expenditures or supplies and materials.
- For 2016 and 2017 interest expense within the Enterprise Fund type totaling \$2,794 and \$130, respectively, was reclassified to principal retirement to reflect the proper retirement of debt.
- For 2016 and 2017 miscellaneous receipts reported within the Enterprise Fund type totaling \$34,139 and \$34,359 were reclassified to special assessment receipts to reflect the proper collection of special assessments.
- For 2016 and 2017, the financial statements presented for audit did not contain the activity of the Village's Mayor's Court within the Agency Fund type. Adjustments have been made to reflect the activity of the Mayor's Court within the Agency Fund type.

- For 2016 and 2017, a portion of the General Fund's unassigned fund cash balance was reclassified to assigned fund balance in the amounts of \$21,207 and \$9,937, respectively. The reclassifications were made to report the portion of year end fund cash balance that has been assigned to fund the subsequent year's appropriations in accordance with the requirements of GASB 54.

The Village's financial statements and footnotes have been adjusted to reflect the above adjustments.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Village implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Village's Response

The Village will attempt to map changes in the accounting system to properly categorize funds to the proper fund types and will attempt to correct the recording of reclassified transaction types in the future. In addition, future bank reconciliations will include interest recorded in the trust funds.



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 7, 2018