

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

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Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Hamersville, Brown County, prepared by Bastin & Company, LLC, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Hamersville is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 26, 2010

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**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of Village Council
Village of Hamersville, Brown County, Ohio

We have audited the accompanying financial statements of the Village of Hamersville, Brown County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governmental units to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, 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, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or their changes in financial position or cash flows, where applicable, for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2009 and 2008. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2010, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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 23, 2010

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 4,163	\$ 12,377	\$ 16,540
Intergovernmental Receipts	8,499	22,960	31,459
Licenses, Permits, and Fees	24,601	-	24,601
Earnings on Investments	2,278	152	2,430
	<u>39,541</u>	<u>35,489</u>	<u>75,030</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	19,707	8,655	28,362
Public Health Services	135	-	135
Transportation	-	36,463	36,463
General Government	15,246	-	15,246
	<u>35,088</u>	<u>45,118</u>	<u>80,206</u>
Total Cash Disbursements			
Receipts Over (Under) Disbursements	<u>4,453</u>	<u>(9,629)</u>	<u>(5,176)</u>
Fund Cash Balances, January 1	<u>15,422</u>	<u>95,745</u>	<u>111,167</u>
Fund Cash Balances, December 31	<u>\$ 19,875</u>	<u>\$ 86,116</u>	<u>\$ 105,991</u>

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

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 902,854	\$ -	\$ 902,854
Total Operating Cash Receipts	<u>902,854</u>	<u>-</u>	<u>902,854</u>
Operating Cash Disbursements:			
Personal Services	81,042	-	81,042
Fringe Benefits	21,240	-	21,240
Contractual Services	609,733	-	609,733
Supplies and Materials	<u>73,336</u>	<u>-</u>	<u>73,336</u>
Total Operating Cash Disbursements	<u>785,351</u>	<u>-</u>	<u>785,351</u>
Operating Income	<u>117,503</u>	<u>-</u>	<u>117,503</u>
Non-Operating Cash Receipts:			
Earnings on Investments	2	-	2
Special Assessments	38,377	-	38,377
Other Non-Operating Receipts	<u>-</u>	<u>24,835</u>	<u>24,835</u>
Total Non-Operating Cash Receipts	<u>38,379</u>	<u>24,835</u>	<u>63,214</u>
Non-Operating Cash Disbursements:			
Debt Service - Principal	25,000	-	25,000
Debt Service - Interest	51,519	-	51,519
Other Non-Operating Disbursements	<u>-</u>	<u>24,139</u>	<u>24,139</u>
Total Non-Operating Cash Disbursements	<u>76,519</u>	<u>24,139</u>	<u>100,658</u>
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	79,363	696	80,059
Transfers-In	76,519	-	76,519
Transfers-Out	<u>(76,519)</u>	<u>-</u>	<u>(76,519)</u>
Net Receipts Over (Under) Disbursements	79,363	696	80,059
Fund Cash Balances, January 1	<u>845,757</u>	<u>789</u>	<u>846,546</u>
Fund Cash Balances, December 31	<u>\$ 925,120</u>	<u>\$ 1,485</u>	<u>\$ 926,605</u>

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

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 5,220	\$ 11,842	\$ 17,062
Intergovernmental Receipts	11,255	19,468	30,723
Licenses, Permits, and Fees	17,557	-	17,557
Earnings on Investments	3,955	314	4,269
	<u>37,987</u>	<u>31,624</u>	<u>69,611</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	15,507	8,922	24,429
Public Health Services	100	-	100
Transportation	-	16,013	16,013
General Government	18,365	-	18,365
	<u>33,972</u>	<u>24,935</u>	<u>58,907</u>
Receipts Over (Under) Disbursements	<u>4,015</u>	<u>6,689</u>	<u>10,704</u>
<i>Other Financing Receipts (Disbursements):</i>			
Transfers-In	-	500	500
Transfers-Out	(500)	-	(500)
	<u>(500)</u>	<u>500</u>	<u>-</u>
Total Other Financing Receipts (Disbursements)	<u>(500)</u>	<u>500</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	3,515	7,189	10,704
Fund Cash Balances, January 1	<u>11,907</u>	<u>88,556</u>	<u>100,463</u>
Fund Cash Balances, December 31	<u>\$ 15,422</u>	<u>\$ 95,745</u>	<u>\$ 111,167</u>

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

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 924,155	\$ -	\$ 924,155
Total Operating Cash Receipts	<u>924,155</u>	<u>-</u>	<u>924,155</u>
Operating Cash Disbursements:			
Personal Services	78,938	-	78,938
Fringe Benefits	19,835	-	19,835
Contractual Services	667,887	-	667,887
Supplies and Materials	<u>77,157</u>	<u>-</u>	<u>77,157</u>
Total Operating Cash Disbursements	<u>843,817</u>	<u>-</u>	<u>843,817</u>
Operating Income	<u>80,338</u>	<u>-</u>	<u>80,338</u>
Non-Operating Cash Receipts:			
Earnings on Investments	5,370	-	5,370
Special Assessments	38,394	-	38,394
Other Non-Operating Receipts	<u>-</u>	<u>18,875</u>	<u>18,875</u>
Total Non-Operating Cash Receipts	<u>43,764</u>	<u>18,875</u>	<u>62,639</u>
Non-Operating Cash Disbursements:			
Debt Service - Principal	20,000	-	20,000
Debt Service - Interest	52,619	-	52,619
Other Non-Operating Disbursements	<u>-</u>	<u>18,339</u>	<u>18,339</u>
Total Non-Operating Cash Disbursements	<u>72,619</u>	<u>18,339</u>	<u>90,958</u>
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	51,483	536	52,019
Transfers-In	72,619	-	72,619
Transfers-Out	<u>(72,619)</u>	<u>-</u>	<u>(72,619)</u>
Net Receipts Over (Under) Disbursements	51,483	536	52,019
Fund Cash Balances, January 1	<u>794,274</u>	<u>253</u>	<u>794,527</u>
Fund Cash Balances, December 31	<u>\$ 845,757</u>	<u>\$ 789</u>	<u>\$ 846,546</u>

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, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Money market mutual funds are recorded at share values reported by the mutual fund.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue 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 that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

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

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

Bond Retirement Fund - This fund is used to retire debt issued from the 2001 series B Sewer System Improvement Bond.

Sewer Replacement & Improvement – This fund received proceeds from the issuance of mortgage revenue bonds as required by bond covenant and can only be used for major repairs or improvements in the Village sewer system.

Garbage Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Electric Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

4. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Fiduciary Fund:

Agency 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, 2009 AND 2008
(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 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.

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 commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2009	2008
Demand deposits	\$911,724	\$836,843
Total deposits	911,724	836,841
U.S. Treasury Money Market Mutual Fund	120,872	120,870
Total Investments	120,872	120,870
Total Deposits and Investments	\$1,032,596	\$957,713

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments in 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, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 35,720	\$ 39,541	\$ 3,821
Special Revenue	29,775	35,489	5,714
Enterprise	1,031,619	1,017,752	(13,867)
Total	\$ 1,097,114	\$ 1,092,782	\$ (4,332)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 51,057	\$ 35,088	\$ 15,969
Special Revenue	123,784	45,118	78,666
Enterprise	1,624,066	938,389	685,677
Total	\$ 1,798,907	\$ 1,018,595	\$ 780,312

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 41,175	\$ 37,987	\$ (3,188)
Special Revenue	33,860	32,124	(1,736)
Enterprise	958,969	1,040,538	81,569
Total	\$ 1,034,004	\$ 1,110,649	\$ 76,645

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 39,803	\$ 34,472	\$ 5,331
Special Revenue	132,611	24,935	107,676
Enterprise	1,578,255	989,055	589,200
Total	\$ 1,750,669	\$ 1,048,462	\$ 702,207

4. COMPLIANCE

- Contrary to Ohio Revised Code Section 5705.39, the Police Protection Fund had appropriations in excess of estimated resources of \$10,196 for 2008.
- Contrary to Ohio Revised Code Section 5705.36(A)(4) the Village did not obtain an amended certificate of estimated resources when actual resources available were known to be less than estimated resources. In addition, Ohio Revised Code Section 5705.36(A)(5) limits appropriations to estimated resources. As a result, appropriations exceeded actual resources available in the following funds:

<u>Year/Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2009:</i>			
Electric Operating	\$877,828	\$907,312	\$(29,484)
<i>2008:</i>			
Street Construction	65,738	68,554	(2,816)
State Highway	19,223	19,423	(200)
Police Protection	9,260	19,194	(9,934)
Electric Deposit	41,625	43,390	(1,765)
Water Deposit	33,284	33,484	(200)
Sewer Deposit	5,490	6,090	(600)

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. PROPERTY TAX

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

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. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Mortgage Revenue Bond	<u>\$850,000</u>	5.91%
Total	<u>\$850,000</u>	

The Village's Sewer System Mortgage Revenue Bonds were for the construction of the Village's sewer system. Per the debt covenants the Village transfers funds out of the Sewer Operating Fund to the Bond Retirement Fund to repay these bonds.

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

Year Ending December 31:	Mortgage Revenue Bonds
2010	\$ 75,144
2011	73,769
2012	47,394
2013	47,394
2014	47,394
2015-2019	369,368
2020-2024	326,886
2025-2029	142,500
2030-2031	532,000
Total	\$1,661,849

7. RETIREMENT SYSTEMS

All Village employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple employer plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, OPERS members contributed 10% of their gross wages into the plan. For 2009 and 2008 the Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

8. RISK POOL MEMBERSHIP

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

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. PEP is a member of the American Public Entity Excess Pool (APEEP). 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, 2008 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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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, 2008 and 2007 (the latest information available):

	2008	2007
Assets	\$35,769,535	\$37,560,071
Liabilities	(15,310,206)	(17,340,825)
Net Assets	\$20,459,329	\$20,219,246

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$10,537. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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	
2007	\$13,179
2008	12,456
2009	12,253

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

9. TRANSFERS AND ADVANCES

During 2008 the General Fund transferred funds to the Police Protection Fund for operating purposes. Transfers in the enterprise funds for 2009 and 2008 were provided from enterprise operating funds to enterprise debt service funds to cover debt retirement payments.

Bastin & Company, LLC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of Village Council
Village of Hamersville, Brown County, Ohio

We have audited the financial statements of the Village of Hamersville, Brown County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 23, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. 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 corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2009-01 and 2009-02.

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, express no opinion on them.

We noted certain matters that we have reported to management of the Village in a separate letter dated June 23, 2010.

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

Bastin & Company, L L C

Cincinnati, Ohio
June 23, 2010

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDING NUMBER 2009-01

Ohio Revised Code Section 5705.39 prohibits appropriations in excess of estimated resources. The following funds had appropriations that exceeded estimated resources:

<u>Year/Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>
2008			
Police Protection	\$19,194	\$8,998	\$10,196

Village's Response

The Village will more closely monitor budgetary variances to ensure compliance.

FINDING NUMBER 2009-02

Ohio Revised Code Section 5705.36(A)(4) requires the Village to obtain an amended certificate of estimated resources when actual resources available are known to be less than estimated resources. In addition, Ohio Revised Code Section 5705.36(A)(5) limits appropriations to estimated resources. As a result of obtaining a reduced certificate of estimated resources, appropriations would be required to be appropriately reduced to the revised level of available resources.

Appropriations exceeded actual resources available in the following funds which reflect noncompliance with the Ohio Revised Code requirements:

<u>Year/Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2009:			
Electric Operating	\$877,828	\$907,312	\$(29,484)
2008:			
Street Construction	65,738	68,554	(2,816)
State Highway	19,223	19,423	(200)
Police Protection	9,260	19,194	(9,934)
Electric Deposit	41,625	43,390	(1,765)
Water Deposit	33,284	33,484	(200)
Sewer Deposit	5,490	6,090	(600)

Village's Response

The Village concurs with the citation and will attempt to monitor budgetary data more closely in the future.

**VILLAGE OF HAMERSVILLE
BROWN COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

There were no findings reported in the prior audit report.

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Mary Taylor, CPA
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
SEPTEMBER 7, 2010**