



**Auditor of State
Betty Montgomery**

VILLAGE OF HAMDEN
VINTON COUNTY

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**Auditor of State
Betty Montgomery**

Village of Hamden
Vinton County
P.O. Box 355
Hamden, Ohio 45634

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

March 20, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Hamden
Vinton County
P.O. Box 355
Hamden, Ohio 45634

To the Village Council:

We have audited the accompanying financial statements of the Village of Hamden, Vinton County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this 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, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Hamden as of December 31, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Hamden as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 March 20, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

March 20, 2006

**VILLAGE OF HAMDEN
VINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$9,307	\$11,944	\$21,251
Special Assessments	847		847
Intergovernmental Receipts	220,314	50,197	270,511
Charges for Services	6,200		6,200
Fines, Licenses, and Permits	425		425
Earnings on Investments	272	280	552
Miscellaneous	1,160		1,160
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	238,525	62,421	300,946
Cash Disbursements:			
Current:			
Security of Persons and Property	21,165	13,983	35,148
Public Health Services	174		174
Transportation		35,798	35,798
General Government	21,542	588	22,130
Debt Service:			
Principal Payments		4,369	4,369
Interest Payments		881	881
Capital Outlay	10,632	11,602	22,234
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	53,513	67,221	120,734
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	185,012	(4,800)	180,212
Other Financing Receipts (Disbursements):			
Other Financing Sources	50		50
Transfers-Out	(22,525)		(22,525)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(22,475)	0	(22,475)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	162,537	(4,800)	157,737
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	12,158	44,928	57,086
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$174,695	\$40,128	\$214,823
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF HAMDEN
VINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$194,642
Miscellaneous	1,969
	196,611
Operating Cash Disbursements:	
Personal Services	28,207
Contractual Services	115,176
Supplies and Materials	17,157
Capital Outlay	226,963
	387,503
Operating Income/(Loss)	(190,892)
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	
Intergovernmental Receipts	133,360
Earnings on Investment	204
Debt Proceeds	68,345
	201,909
Non-Operating Cash Disbursements:	
Debt Service - Principal	6,862
Debt Service - Interest	881
Debt Service - Financing	400
Other Non-Operating Cash Disbursements	1,515
	9,658
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	1,359
Transfers-In	22,525
Advances-In	2,500
Advances-Out	(2,500)
	23,884
Net Receipts Over/(Under) Disbursements	23,884
Fund Cash Balances, January 1	21,159
Fund Cash Balances, December 31	\$45,043

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

**VILLAGE OF HAMDEN
VINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$9,381	\$13,160	\$22,541
Intergovernmental Receipts	34,279	40,591	74,870
Charges for Services	5,650		5,650
Fines, Licenses, and Permits	350		350
Earnings on Investments	120	219	339
Miscellaneous	324		324
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	50,104	53,970	104,074
Cash Disbursements:			
Current:			
Security of Persons and Property	30,004	14,750	44,754
Public Health Services	179		179
Transportation		45,580	45,580
General Government	29,238	638	29,876
Debt Service:			
Principal Payments		4,173	4,173
Interest Payments		1,077	1,077
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	59,421	66,218	125,639
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	(9,317)	(12,248)	(21,565)
Other Financing Receipts (Disbursements):			
Other Financing Sources	1,019		1,019
Transfers-Out	(500)	0	(500)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	519	0	519
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	(8,798)	(12,248)	(21,046)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	20,956	57,176	78,132
Fund Cash Balances, December 31	<hr/> \$12,158 <hr/>	<hr/> \$44,928 <hr/>	<hr/> \$57,086 <hr/>

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

**VILLAGE OF HAMDEN
VINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$189,216
Miscellaneous	2,530
	191,746
Total Operating Cash Receipts	191,746
Operating Cash Disbursements:	
Personal Services	28,916
Contractual Services	128,580
Other	1,852
Supplies and Materials	20,515
Capital Outlay	3,551
	183,414
Total Operating Cash Disbursements	183,414
Operating Income/(Loss)	8,332
Non-Operating Cash Receipts:	
Intergovernmental Receipts	3,300
	3,300
Total Non-Operating Cash Receipts	3,300
Non-Operating Cash Disbursements:	
Debt Service - Principal	16,890
Debt Service - Interest	1,622
	18,512
Total Non-Operating Cash Disbursements	18,512
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(6,880)
Transfers-In	500
Advances-In	2,500
Advances-Out	(2,500)
	(6,380)
Net Receipts Over/(Under) Disbursements	(6,380)
Fund Cash Balances, January 1	27,539
Fund Cash Balances, December 31	\$21,159

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

**VILLAGE OF HAMDEN
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Hamden, Vinton County (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides street maintenance, water utilities and fire 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from 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 to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

**VILLAGE OF HAMDEN
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Enterprise Funds (Continued)

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund – This fund receives grants and loans for the construction of a central sanitary sewer system and a wastewater treatment facility.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. 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.

G. 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 HAMDEN
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH

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

	2005	2004
Demand deposits	\$159,866	\$78,245
Certificates of deposit	100,000	
Total deposits	\$259,866	\$78,245

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$240,628	\$238,575	(\$2,053)
Special Revenue	69,825	62,421	(7,404)
Enterprise	377,101	423,545	46,444
Total	\$687,554	\$724,541	\$36,987

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$252,436	\$76,038	\$176,398
Special Revenue	114,752	67,221	47,531
Enterprise	330,642	399,661	(69,019)
Total	\$697,830	\$542,920	\$154,910

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,801	\$51,123	\$2,322
Special Revenue	66,045	53,970	(12,075)
Enterprise	217,180	198,046	(19,134)
Total	\$332,026	\$303,139	(\$28,887)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$69,757	\$59,921	\$9,836
Special Revenue	123,221	66,218	57,003
Enterprise	205,839	204,426	1,413
Total	\$398,817	\$330,565	\$68,252

**VILLAGE OF HAMDEN
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer Fund for the year ended December 31, 2005 and in the Trash Fund for the year ended December 31, 2004. Additionally, estimated resources exceeded actual resources, causing actual resources to fall below the level of appropriation in the General, Street, State Highway, Street Light and Fire Funds for the year ended December 31, 2005 and in the Street, State Highway, Street Light, and Water Funds for the year ended December 31, 2004.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #1	\$4,986	0.00%
Ohio Water Development Authority Loan #2	68,345	5.00%
Truck	<u>28,756</u>	5.00%
Total	<u><u>\$102,087</u></u>	

The Ohio Water Development Authority (OWDA) loan #1 relates to planning for a water and sewer plant expansion project approved by the Ohio Environmental Protection Agency. The OWDA approved up to \$24,929 in loans to the Village for this project in 1997. The Village began repaying the loans in 1999 in annual installments of \$2,493, including interest, over 10 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #2 also relates to planning for a water and sewer plant expansion project approved by the Ohio Environmental Protection Agency. The OWDA approved up to \$75,000 in loans to the Village for this project in 2005. The Village is expected to repay this loan by rolling the total amount borrowed into a construction loan by the year 2010. The amount drawn down through December 31, 2005 is \$68,345, plus accrued interest of \$1,599. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF HAMDEN
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. DEBT (Continued)

The Truck loan related to the purchase of a truck for the maintenance of the Village's streets and property. The purchase price was \$67,288 and is to be repaid in annual installments of \$10,500, including interest, over 5 years.

Amortization of the above debt, including interest, follows:

Year Ending December 31:	OWDA Loan #1	OWDA Loan #2	Truck
2006	\$	\$	\$ 10,500
2007	2,493		10,500
2008	2,493		10,500
2009			
2010		69,944	
	<hr/>	<hr/>	<hr/>
Total	<u>4,986.00</u>	<u>\$ 69,944</u>	<u>\$ 31,500</u>

6. RETIREMENT SYSTEMS

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public official's liability; and
- Vehicles.

8. SANITARY SEWER SYSTEM/WASTEWATER TREATMENT FACILITY PROJECT

The Village has entered into the project of constructing a central sanitary sewer system in the incorporated area of Hamden and construction of a 125,000 GPD wastewater treatment facility. The project will be financed by the Ohio Water Development Authority, Ohio Environmental Protection Agency, Ohio Public Works Commission, Ohio Department Of Development, Appalachian Regional Commission, Community Development Block Grants and the United States Army Corps of Engineers as well as monthly utility charges. The estimated total for the project is \$5.8 million. The project is currently in the planning stage (See Note 5, OWDA Loan #1 and OWDA Loan #2).

VILLAGE OF HAMDEN
VINTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

8. SANITARY SEWER SYSTEM/WASTEWATER TREATMENT FACILITY PROJECT (Continued)

On July 1, 2005, the Village signed an agreement with the Ohio Public Works Commission (OPWC) for financial assistance in the amount of \$785,000 for the sanitary sewer project. The OPWC agreement provides financial assistance in the amount of \$410,000 in the form of a grant, with the remaining \$375,000 to be provided in the form of a loan after the full proceeds of the grant have been drawn down. The loan is a 0% interest loan with a 20 year term. Semi-annual payments of \$9,375 are anticipated to begin July 1, 2007, assuming the full amount of the loan is drawn down. A final amortization will be provided by OPWC based on the actual project completion date and actual OPWC funds disbursed. As of December 31, 2005, the Village had not received any of the grant or loan proceeds provided for in this agreement.



Auditor of State Betty Montgomery

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

Village of Hamden
Vinton County
P.O. Box 355
Hamden, Ohio 45634

To the Village Council:

We have audited the financial statements of the Village of Hamden, Vinton County, Ohio, (the Village) as of and for the year ended December 31, 2005 and 2004, and have issued our report thereon dated March 20, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated March 20, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-003. In a separate letter to the Village's management dated March 20, 2006, we reported an other matter related to noncompliance we deemed immaterial.

Village of Hamden
Vinton County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 20, 2006

VILLAGE OF HAMDEN
VINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36 (A)(3) provides that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code Section 5705.36 (A)(4) provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

In 2005, estimated receipts exceeded actual receipts in the General Fund by \$2,503, the Street Fund by \$4,945, the State Highway Fund by \$89, the Street Light Fund by \$1,233, and the Fire Fund by \$1,136. This caused actual resources to fall below the level of appropriation requiring an amended certificate as follows:

Fund	Actual Resources	Appropriations	Variance
General	\$250,733	\$252,436	(\$1,703)
Street	45,004	49,949	(4,945)
State Highway	4,541	4,630	(89)
Street Light	16,078	17,311	(1,233)
Fire Fund	31,301	32,437	(1,136)

In 2004, estimated receipts exceeded actual receipts in the Street Fund by \$10,047, the State Highway Fund by \$2,084, the Street Light Fund by \$111, and the Water Fund by \$20,055. This caused actual resources to fall below the level of appropriation requiring an amended certificate as follows:

Fund	Actual Resources	Appropriations	Variance
Street	\$57,129	\$67,176	(\$10,047)
State Highway	5,281	7,365	(2,084)
Street Light	17,831	17,942	(111)
Water	178,961	199,016	(20,055)

We recommend the Village Clerk obtain a reduced certificate of estimated resources when it is determined that estimated receipts will be less than the actual receipts causing resources to fall below the level of appropriation.

VILLAGE OF HAMDEN
VINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been appropriated.

The Village adopted its permanent appropriation measure at the fund level on January 6, 2005. The first expenditure for 2005 was dated January 3, 2005, prior to adopting the appropriation measure. Also, during 2005, expenditures exceeded appropriations at year-end in the Sewer Fund by \$100,687 (86%). During 2004, expenditures exceeded appropriations in the Trash Fund by 100% throughout the year and at year-end.

This resulted in the Village spending funds that had not yet been lawfully appropriated and could have resulted in deficit spending.

We recommend the Village approve the annual appropriation measure prior to making expenditures. We also recommend the Village review budgetary information on a regular basis to ensure disbursements have not exceeded appropriations and seek amendments as needed.

FINDING NUMBER 2005-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

VILLAGE OF HAMDEN
VINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-003 (Continued)

Noncompliance Citation-Ohio Rev. Code Section 5705.41(D)(1) (Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-three percent of the transactions tested in 2004 and thirty percent of the transactions tested in 2005 were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**VILLAGE OF HAMDEN
VINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Noncompliance citation of Ohio Rev. Code Section 5705.36 for appropriations exceeding actual resources.	No	See Finding Number 2005-001 in the accompanying Schedule of Findings.
2003-002	Noncompliance citation of Ohio Rev. Code Section 5705.41 (D) for obligations being incurred prior to the Clerk's certification that the amount required for the order had been lawfully appropriated.	No	See Finding Number 2005-003 in the accompanying Schedule of Findings.



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VILLAGE OF HAMDEN

VINTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2006**