



**VILLAGE OF HAMLER
HENRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009



Mary Taylor, CPA
Auditor of State

VILLAGE OF HAMLER
HENRY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2009.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2008.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19
Schedule of Prior Audit Findings	23

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

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

To the Village Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 29, 2010

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Hamler, Henry County, (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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 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 its changes in financial position or cash flows, where applicable, for the years then ended.

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

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 29, 2010, 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.



Mary Taylor, CPA
Auditor of State

June 29, 2010

**HAMLER VILLAGE
HENRY COUNTY**

**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>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$6,196				\$6,196
Municipal Income Tax	73,449				73,449
Intergovernmental	37,164	\$26,392		\$32,700	96,256
Farm Rent	10,233				10,233
Charges for Services	753				753
Fines, Licenses and Permits	2,015				2,015
Earnings on Investments	2,390	2,579			4,969
Miscellaneous	4,373				4,373
Total Cash Receipts	<u>136,573</u>	<u>28,971</u>		<u>32,700</u>	<u>198,244</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	43,784				43,784
Leisure Time Activities	665				665
Basic Utility Service	3,905				3,905
Transportation	20,583	14,740			35,323
General Government	50,708				50,708
Debt Service:					
Redemption of Principal	22,110				22,110
Interest and Fiscal Charges	2,764				2,764
Capital Outlay	3,500	10,485		27,701	41,686
Total Cash Disbursements	<u>148,019</u>	<u>25,225</u>		<u>27,701</u>	<u>200,945</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(11,446)</u>	<u>3,746</u>		<u>4,999</u>	<u>(2,701)</u>
Other Financing Receipts / (Disbursements):					
Sale of Fixed Assets	10,000				10,000
Advances-In				20,199	20,199
Advances-Out	(20,199)				(20,199)
Other Financing Uses	(6,078)				(6,078)
Total Other Financing Receipts / (Disbursements)	<u>(16,277)</u>			<u>20,199</u>	<u>3,922</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(27,723)	3,746		25,198	1,221
Fund Cash Balances, January 1	77,167	132,497	\$337		210,001
Fund Cash Balances, December 31	<u>\$49,444</u>	<u>\$136,243</u>	<u>\$337</u>	<u>\$25,198</u>	<u>\$211,222</u>
Reserve for Encumbrances, December 31	<u>\$2,408</u>				<u>\$2,408</u>

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

**HAMLER VILLAGE
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$249,026
Operating Cash Disbursements:	
Personal Services	37,506
Employee Fringe Benefits	6,494
Contractual Services	38,161
Supplies and Materials	60,972
Other	803
Total Operating Cash Disbursements	143,936
Operating Income	105,090
Non-Operating Cash Disbursements:	
Capital Outlay	62,814
Redemption of Principal	28,042
Interest and Other Fiscal Charges	78,880
Total Non-Operating Cash Disbursements	169,736
Excess of Cash Receipts (Under) Cash Disbursements	(64,646)
Fund Cash Balances, January 1	301,808
Fund Cash Balances, December 31	\$237,162
Reserve for Encumbrances, December 31	\$1,611

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

**HAMLER VILLAGE
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property and Local Taxes	\$8,209			\$8,209
Municipal Income Tax	78,799			78,799
Intergovernmental	29,653	\$27,787		57,440
Farm Rent	10,233			10,233
Charges for Services	750			750
Fines, Licenses and Permits	2,075			2,075
Earnings on Investments	4,482	3,081		7,563
Miscellaneous	593			593
	134,794	30,868		165,662
Cash Disbursements:				
Current:				
Security of Persons and Property	30,583			30,583
Basic Utility Service	4,410			4,410
Transportation	18,425	59,010		77,435
General Government	68,112			68,112
Debt Service:				
Redemption of Principal	21,128	2,640		23,768
Interest and Fiscal Charges	3,746			3,746
	146,404	61,650		208,054
Total Cash Receipts (Under) Cash Disbursements	(11,610)	(30,782)		(42,392)
Other Financing Receipts / (Disbursements):				
Sale of Fixed Assets	10,500			10,500
Other Financing Sources	939			939
Other Financing Uses	(4,072)			(4,072)
	7,367			7,367
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(4,243)	(30,782)		(35,025)
Fund Cash Balances, January 1	81,410	163,279	\$337	245,026
Fund Cash Balances, December 31	\$77,167	\$132,497	\$337	\$210,001

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

**HAMLER VILLAGE
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$258,014
Operating Cash Disbursements:	
Personal Services	35,221
Employee Fringe Benefits	12,114
Contractual Services	35,225
Supplies and Materials	26,271
Total Operating Cash Disbursements	108,831
Operating Income	149,183
Non-Operating Cash Receipts:	
Intergovernmental Receipts	18,600
Non-Operating Cash Disbursements:	
Redemption of Principal	23,832
Interest and Other Fiscal Charges	79,300
Other Non-Operating Cash Disbursements	
Total Non-Operating Cash Disbursements	103,132
Excess of Cash Receipts Over Cash Disbursements	64,651
Fund Cash Balances, January 1	237,157
Fund Cash Balances, December 31	\$301,808

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Hamler, Henry County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

State Highway Improvement Fund – This fund receives motor vehicle license fees for highway improvements.

3. Debt Service Funds

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

4. Capital Project Funds

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project fund:

Hamler Reservoir Improvements Fund – This fund receives grant revenue. The revenue is being used for improvements to the reservoir.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

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

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

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 level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2009 and 2008 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.

2. Equity in Pooled Deposits

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$297,510	\$364,426
Certificates of deposit	<u>150,874</u>	<u>147,383</u>
Total deposits and investments	<u><u>\$448,384</u></u>	<u><u>\$511,809</u></u>

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

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	\$134,700	\$146,573	\$11,873
Special Revenue	30,700	28,971	(1,729)
Capital Projects		32,700	32,700
Enterprise	257,900	249,026	(8,874)
Total	\$423,300	\$457,270	\$33,970

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$152,855	\$156,505	(\$3,650)
Special Revenue	72,000	25,225	46,775
Capital Projects		27,701	(27,701)
Enterprise	307,930	315,283	(7,353)
Total	\$532,785	\$524,714	\$8,071

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$100,000	\$146,233	\$46,233
Special Revenue	26,000	30,868	4,868
Enterprise	250,000	276,614	26,614
Total	\$376,000	\$453,715	\$77,715

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$150,476	(\$150,476)
Special Revenue		61,650	(61,650)
Enterprise		211,963	(211,963)
Total		\$424,089	(\$424,089)

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. Property Tax (Continued)

are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Local Income Tax

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	\$1,834,000	4.25%
Mortgage Loan	49,380	4.50%
Ohio Public Works Commission Loan CE12F	13,608	
Ohio Public Works Commission Loan CE28G	42,240	
Total	<u>\$1,939,228</u>	

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

The Mortgage loan relates to the Village purchasing land. The Mortgage loan is to be repaid over a 12 year period at a rate of 4.5%. The annual payment of \$24,874 including interest payments will be made through 2012. The Mortgage Loan is collateralized by 80 acres of land.

The Ohio Public Works Commission (OPWC) Loan CE12F relates to water treatment plant modifications. The OPWC has approved \$34,020 in an interest free loan to the Village for this project. The loan will be repaid in semiannual installments of \$1,701 over 10 years.

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

<u>Year ending December 31:</u>	<u>USDA Mortgage Revenue Bonds</u>	<u>Mortgage Loan</u>	<u>OPWC Loan CE12F</u>	<u>OPWC Loan CE28G</u>
2010	\$ 100,945	\$ 24,874	\$ 1,701	\$ 1,320
2011	99,968	24,874	3,402	2,640
2012	99,990	2,073	3,402	2,640
2013	99,970		3,402	2,640
2014	100,908		1,701	2,640
2015-2019	499,688			13,200
2020-2024	504,050			13,200
2025-2029	503,040			3,960
2030-2034	501,170			
2035-2039	502,358			
2040-2045	502,203			
2045	100,078			
Total	<u>\$3,614,368</u>	<u>\$51,821</u>	<u>\$13,608</u>	<u>\$42,240</u>

7. Retirement System

The Village's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has not paid all contributions required through December 31, 2009.

8. Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. Risk Pool Membership (Continued)

OPRM had over 650 members as of December 31, 2008. The Village participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members' Equity	<u>\$5,184,333</u>	<u>\$6,862,902</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

9. Compliance

- Contrary to Ohio law, fifty eight percent of expenditures tested were not certified by the Fiscal Officer in 2009 and 2008.
- Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund, Capital Projects fund, Water Operating fund and Enterprise Debt Service fund for the year ended December 31, 2009.
- Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds for the year ended December 31, 2008.
- Contrary to Ohio law, the Village did not bid out two contracts exceeding \$25,000.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Hamler, Henry County (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 29, 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 also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-004 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-005 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 29, 2010.

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



Mary Taylor, CPA
Auditor of State

June 29, 2010

VILLAGE OF HAMLER
HENRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the 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, each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

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

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 Council 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 may, but need not, be limited to a specific vendor. 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.

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

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

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

FINDING NUMBER 2009-002

Noncompliance Citation

Ohio Revised Code § 5705.38 states on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received based upon the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year.

Ohio Revised Code § 5705.41(B) states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter of the Ohio Revised Code.

Village Council approved temporary appropriations on December 27, 2007 for fiscal year 2008; however, an annual appropriation measure was not adopted by Village Council during fiscal year 2008 in accordance with the Ohio Revised Code. As a result, all 2008 expenditures were made without budgetary authority in all funds.

In addition, expenditures exceeded appropriations at December 31, 2009 by the following amounts in each of the following funds:

Fund	Appropriated	Expended	Difference
General Fund	\$152,855	\$156,505	\$3,650
Capital Projects Fund		27,701	27,701
Water Operating Fund	120,245	127,262	7,017
Enterprise Debt Service Fund	100,000	103,520	3,520

Allowing expenditures to exceed the legally adopted annual appropriation measure could result in overspending.

We recommend the Council approve an annual appropriation measure by the first day of each fiscal year and file the appropriation measure with the County Auditor by the required date. The Fiscal Officer should obtain a certificate for appropriations from the County Auditor, as required, so expenditures can be monitored and compliance with the Ohio Revised Code can be attained.

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Revised Code § 731.14 requires all contracts made by the legislative authority of a village shall be executed in the name of the village and signed on its behalf by the mayor and clerk. Except where the contract is for equipment, services, materials, or supplies to be purchased under division (D) of section 713.23 or section 125.04 or 5513.01 of the Revised Code, available from a qualified nonprofit agency pursuant to sections 4115.31 to 4115.35 of the Revised Code, or required to be purchased from a qualified nonprofit agency under sections 125.60 to 125.6012 of the Revised Code, when any expenditure, other than the compensation of persons employed in the village, exceeds twenty-five thousand dollars, such contracts shall be in writing and made with the lowest and best bidder after advertising once a week for not less than two consecutive weeks in a newspaper of general circulation within the village.

In 2008, the Village had a street paving project that totaled \$40,525. As stated above, the Village is required to engage in competitive bidding where the expenditure exceeds \$25,000. The street paving project, individually, exceeded the \$25,000 expenditure limit and was not competitively bid. We recommend all applicable projects exceeding the bidding requirement be competitively bid in accordance with the Ohio Revised Code.

FINDING NUMBER 2009-004

Material Weakness

Monitoring of Financial Activity

Sound accounting practices require regular and thorough monitoring of the Village's financial activity by the governing board. Review of financial data on a regular basis is an important monitoring tool to help ensure financial data is accurately accounted for in the Village's accounting ledgers and whether resources are being efficiently utilized.

Council's review of the Village finances is limited to a review of invoices and fund balances. Council does not review monthly financial information such as budget versus actual data, revenues, disbursements, investments, or bank reconciliations. These weaknesses allowed posting errors such as the following to occur and go undetected:

- Principal and interest debt payments of \$21,128 and \$3,746, respectively, were misclassified as other financing uses in the General Fund for the year ended December 31, 2008.
- Farm Lease revenue of \$10,233 to be misclassified as miscellaneous revenue in the General Fund in 2008 and 2009.
- \$6,947 of tax revenue in 2009 to be misclassified as intergovernmental revenue in the General Fund.

As a result, the financial statements did not correctly reflect the financial activity of the Village for each respective fiscal year. Adjusting entries ranging from \$236 to \$24,874, were made to the financial statements and accounting records to correct these and other errors.

The Village Council should review bank reconciliations, receipts ledgers, expenditure ledgers, investment schedule, income tax reports, utility reports and budgetary reports. This information also provides important data necessary to manage the Village. This information can also help answer questions such as the following:

FINDING NUMBER 2009-004
(Continued)

- Are receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being received in a timely manner?
- Is the Village maximizing its return on cash investments?

FINDING NUMBER 2009-005

Significant Deficiency

Cash Reconciliations

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

The Village bank account was not properly reconciled to a zero variance in 2008 and 2009. The Village had several unexplained adjusting factors in order to get the Henry County Bank account to reconcile to the book balance each month during the audit period. This resulted in unrecorded revenue in the amount of \$3,704 and disbursements in the amount of \$2,445 to occur and go undetected by the Fiscal Officer. We also noted the outstanding check lists were incorrect from January 2008 through December 2009. The outstanding checks were under stated by as much as \$9,549 throughout the audit period. This has the potential to cause significant posting errors to occur without detection by management. The financial statements have been adjusted to reflect these errors.

We recommend the Fiscal Officer present evidence to Council to prove all the bank account balances have been reconciled to combined fund balance without adjusting factors on the reconciliation. In addition, the Audit Committee should periodically verify items appearing on the monthly bank reconciliation, including, but not limited, to authentication of outstanding checks and deposits in transit.

Officials' Response:

We received no response from Officials to the findings reported above.

**VILLAGE OF HAMLER
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Chapter 5705.42 for not recording \$90,000 of OPWC revenue and expenditures.	Yes	
2007-002	Ohio Revised Code § 5705.36(A)(1) for not certifying to the County Auditor the total amount from all sources available for expenditure for 2005.	Yes	
2007-003	Ohio Revised Code § 5705.38 for not certifying appropriations.	No	Repeated as Finding 2009-002 in this report.
2007-004	Ohio Revised Code § 5705.39 for appropriations exceeding estimated resources.	Yes	
2007-005	Ohio Revised Code § 5705.41(B) expenditures exceeding appropriations.	No	Repeated as Finding 2009-002 in this report.
2007-006	Ohio Revised Code § 5705.41(D) (1) for not certifying expenditures.	No	Repeated as Finding 2009-001 in this report.
2007-007	Material Weakness regarding errors in posting of transactions.	No	Repeated as Finding 2009-004 in this report.
2007-008	Material Weakness regarding monitoring budgetary accounting.	No	Repeated as Finding 2009-004 in this report.



Mary Taylor, CPA
Auditor of State

VILLAGE OF HAMLER

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 20, 2010